



PRESS RELEASE



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Bank of Canada keeps target for the overnight rate at 4 1/4 per cent

OTTAWA, Ontario, March 06, 2007 — The Bank of Canada today announced that it is maintaining its target for the overnight rate at 4 1/4 per cent. The operating band for the overnight rate is unchanged, and the Bank Rate remains at 4 1/2 per cent.

The Canadian and global economies are evolving broadly in line with the Bank's expectations as set out in the January Monetary Policy Report Update (MPRU). Real gross domestic product in Canada increased in the fourth quarter of 2006 at a rate consistent with the Bank's projection in the MPRU, and both total CPI and core inflation have been largely as expected. At the end of 2006, the Canadian economy is judged to have been operating at, or just above, its production capacity.

The Bank's outlook for output and inflation in Canada remains essentially unchanged from the MPRU. The Canadian economy is expected to continue to operate near its production capacity through 2007 and 2008. Total CPI inflation should average just above 1 per cent in the first half of 2007, returning to the 2 per cent target in 2008. Core inflation should remain near 2 per cent throughout this period.

Despite recent volatility in global financial markets, the Bank continues to judge that the risks to its inflation projection are roughly balanced. The main downside risk continues to be that growth in the U.S. economy could be lower than expected. The main upside risk continues to be that household spending in Canada could be stronger than expected, largely because of borrowing against increased home equity.

In line with the Bank's outlook, the current level of the target for the overnight rate is judged, at this time, to be consistent with achieving the inflation target over the medium term.

The Bank will present a full and updated analysis of economic and financial developments, trends, and risks in the Monetary Policy Report, to be published on 26 April 2007. Information note: The Bank of Canada's next scheduled date for announcing the overnight rate target is 24 April 2007.