



BANK OF CANADA  
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## Bank of Canada raises overnight rate target by 1/4 percentage point to 4 per cent

FOR IMMEDIATE RELEASE

**Media Relations**

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The Bank of Canada today announced that it is raising its target for the overnight rate by one-quarter of one percentage point to 4 per cent. The operating band for the overnight rate is correspondingly increased, and the Bank Rate is now 4 1/4 per cent.

The global economy has been growing at a robust pace, exhibiting a little more momentum than had been anticipated. This global strength and the associated higher prices of many commodities, together with strong domestic demand in Canada, have produced solid growth in the Canadian economy at a pace consistent with the Bank's outlook in the January *Monetary Policy Report Update*. At the same time, global competition and the past appreciation of the Canadian dollar continue to pose challenges for a number of sectors of the economy. All factors considered, the Canadian economy is judged to be operating at, or just above, its production capacity. High energy prices have kept total CPI inflation in Canada somewhat above the Bank's 2 per cent target. Core inflation has remained below 2 per cent owing to persistent downward pressure from prices of imported consumer goods. Against this backdrop, the Bank decided to raise its target for the overnight rate.

Looking forward, the Bank projects that the Canadian economy will grow by 3.1 per cent in 2006, 3.0 per cent in 2007, and 2.9 per cent in 2008. Total CPI inflation is projected to average close to 2 per cent in 2007 and 2008 (excluding the effect of any changes in the GST). The Bank judges that the risks to its projection are roughly balanced, with a small tilt to the downside later in the projection period.

In line with the Bank's outlook for the Canadian economy, some modest further increase in the policy interest rate may be required to keep aggregate supply and demand in balance and inflation on target over the medium term. The Bank will closely monitor evolving developments in the Canadian economy in light of the cumulative increase in the policy interest rate since last September. A full analysis of economic developments, trends, and risks will be provided in the *Monetary Policy Report*, to be published on 27 April 2006.

*Information note:*

The Bank of Canada's next scheduled date for announcing the overnight rate target is 24 May 2006.

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