



## Bank of Canada maintains overnight rate target at 1 per cent

FOR IMMEDIATE RELEASE

**Media Relations**

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The Bank of Canada today announced that it is maintaining its target for the overnight rate at 1 per cent. The Bank Rate is correspondingly 1 1/4 per cent and the deposit rate is 3/4 per cent.

The global economic outlook is slightly weaker than the Bank had projected in its October *Monetary Policy Report* (MPR). At the same time, global tail risks have diminished. The economic expansion in the United States is continuing at a gradual pace, restrained by ongoing public and private deleveraging, global weakness and uncertainty related to fiscal negotiations. Despite a marked improvement in peripheral sovereign debt markets, Europe remains in recession, with a somewhat more protracted downturn now expected than in October. Growth in China is improving, though economic activity has slowed further in some other major emerging economies. Supported by central bank actions and by positive policy developments in Europe, global financial conditions are more stimulative. Commodity prices have remained at historically elevated levels, though temporary disruptions and persistent transportation bottlenecks have led to a record discount on Canadian heavy crude.

In Canada, the slowdown in the second half of 2012 was more pronounced than the Bank had anticipated, owing to weaker business investment and exports. Caution about high debt levels has begun to restrain household spending. The Bank expects economic growth to pick up through 2013. Business investment and exports are projected to rebound as foreign demand strengthens, uncertainty diminishes and the temporary factors that have weighed on resource sector activity are unwound. Nonetheless, exports should remain below their pre-recession peak until the second half of 2014 owing to a lower track for foreign demand and ongoing competitiveness challenges, including the persistent strength of the Canadian dollar. Consumption is expected to grow moderately and residential investment to decline further from historically high levels. The Bank expects trend growth in household credit to moderate further, with the debt-to-income ratio stabilizing near current levels.

Relative to the October MPR, Canadian economic activity is expected to be more restrained. Following an estimated 1.9 per cent in 2012, the economy is expected to grow by 2.0 per cent in 2013 and 2.7 per cent in 2014. The Bank now expects the economy to reach full capacity in the second half of 2014, later than anticipated in the October MPR.

Core inflation has softened by more than the Bank had expected, with more muted price pressures across a wide range of goods and services, consistent with the unexpected increase in excess capacity. Total CPI inflation has also been lower than anticipated, reflecting developments in core inflation and weaker-than-projected gasoline prices. Total CPI inflation is expected to remain around 1 per cent in the near term before rising gradually, along with core inflation, to the 2 per cent target in the second half of 2014 as the economy returns to full capacity and inflation expectations remain well-anchored.

Reflecting all of these factors, the Bank has decided to maintain the target for the overnight rate at 1 per cent. While some modest withdrawal of monetary policy stimulus will likely be required over time, consistent with achieving the 2 per cent inflation target, the more muted inflation outlook and the beginnings of a more constructive evolution of imbalances in the household sector suggest that the timing of any such withdrawal is less imminent than previously anticipated.

## Information note:

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The next scheduled date for announcing the overnight rate target is 6 March 2013. The next full update of the Bank's outlook for the economy and inflation, including risks to the projection, will be published in the MPR on 17 April 2013.  
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## Monetary Policy Report

January 2013



## Monetary Policy Report – January 2013

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Following an estimated 1.9 per cent in 2012, the Canadian economy is expected to grow by 2.0 per cent in 2013 and 2.7 per cent in 2014, and to reach full capacity in the second half of 2014, later than anticipated in the *October Report*.

## Release of the Monetary Policy Report

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Press conference following the release of the *Monetary Policy Report*.



## Monetary Policy Report - Press Conference (Video) - January 2013

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*Release of the Monetary Policy Report* - (Videocast) Press conference by Governor Mark Carney and Senior Deputy Governor Tiff Macklem.



## Monetary Policy Report - Press Conference (Audio) - January 2013

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*Release of the Monetary Policy Report - (Audiocast) Press conference by Governor Mark Carney and Senior Deputy Governor Tiff Macklem.*