



BANK OF CANADA
BANQUE DU CANADA

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

FOR IMMEDIATE RELEASE

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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.

Information received since the April *Monetary Policy Report (MPR)* indicates that economic growth and inflation in Canada in the first part of this year have been stronger than the Bank was expecting. In April, both total CPI inflation, at 2.2 per cent, and core inflation, at 2.5 per cent, were above expectations. On the basis of available information, the Canadian economy is likely to have grown at an annual rate of about 3 1/2 per cent in the first quarter of this year - a full percentage point higher than was estimated in the *MPR*. The Bank now judges that there is somewhat greater excess demand in the economy than was thought to be the case in April. U.S. economic activity has come in largely as expected and continuing robust growth outside North America has maintained the global demand for, and high prices of, many commodities produced in Canada. Against this overall backdrop, the Canadian dollar has risen appreciably above the range assumed in the Bank's April projection.

On balance, the Bank judges that there is an increased risk that future inflation will persist above the 2 per cent inflation target and that some increase in the target for the overnight rate may be required in the near term to bring inflation back to the target.

An updated analysis of the Bank's outlook for growth and inflation, including economic and financial developments, trends, and risks, will be set out in the *Monetary Policy Report Update*, to be published on 12 July 2007.

Information note:

The Bank of Canada's next scheduled date for announcing the overnight rate target is 10 July 2007.

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