



BANK OF CANADA  
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## Bank of Canada maintains overnight rate target at 1 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 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 recovery is proceeding broadly in line with the Bank's projection in its January *Monetary Policy Report* (MPR), although risks remain elevated. U.S. activity is solidifying and remains supported by stimulative fiscal and monetary policies. Ongoing challenges associated with sovereign and bank balance sheets will limit the pace of the European recovery and are a significant source of uncertainty to the global outlook. Robust demand from emerging-market economies is driving the underlying strength in commodity prices, which could be further reinforced temporarily by supply shocks arising from recent geopolitical events.

The recovery in Canada is proceeding slightly faster than expected, and there is more evidence of the anticipated rebalancing of demand. While consumption growth remains strong, there are signs that household spending is moving more in line with the growth in household incomes. Business investment continues to expand rapidly as companies take advantage of stimulative financial conditions and respond to competitive imperatives. There is early evidence of a recovery in net exports, supported by stronger U.S. activity and global demand for commodities. However, the export sector continues to face considerable challenges from the cumulative effects of the persistent strength in the Canadian dollar and Canada's poor relative productivity performance.

While global inflationary pressures are rising, inflation in Canada has been consistent with the Bank's expectations. Underlying pressures affecting prices remain subdued, reflecting the considerable slack in the economy.

Reflecting all of these factors, the Bank has decided to maintain the target for the overnight rate at 1 per cent. This leaves considerable monetary stimulus in place, consistent with achieving the 2 per cent inflation target in an environment of significant excess supply in Canada. Any further reduction in monetary policy stimulus would need to be carefully considered.

## Information note:

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The next scheduled date for announcing the overnight rate target is 12 April 2011. A full update of the Bank's outlook for the economy and inflation, including risks to the projection, will be published in the MPR on 13 April 2011.

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