



BANK OF CANADA  
BANQUE DU CANADA

## 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 economy has unfolded broadly as the Bank projected in its October *Monetary Policy Report* (MPR). The economic expansion in the United States is progressing at a gradual pace and is being held back by uncertainty related to the fiscal cliff. Europe remains in recession. Chinese growth appears to be stabilizing. Commodity prices have remained at elevated levels since the October MPR and global inflationary pressures are subdued in response to persistent excess capacity. Global financial conditions remain stimulative, though vulnerable to major shocks from the U.S. or Europe.

In Canada, economic activity in the third quarter was weak, owing in part to transitory disruptions in the energy sector. Although underlying momentum appears slightly softer than previously anticipated, the pace of economic growth is expected to pick up through 2013. The expansion is expected to be driven mainly by growth in consumption and business investment, reflecting very stimulative domestic financial conditions. Housing activity is beginning to decline from historically high levels. While the household debt burden continues to rise, growth in household credit has slowed. It is too early, however, to determine whether the moderation in housing activity and credit growth will be sustained. Canadian exports are expected to pick up gradually but continue to be restrained by weak foreign demand and ongoing competitiveness challenges. These challenges include the persistent strength of the Canadian dollar, which is being influenced by safe haven flows and spillovers from global monetary policy.

Inflation has evolved broadly in line with the outlook in the October MPR. Both total and core inflation are expected to increase and return to 2 per cent over the course of the next 12 months as the economy gradually absorbs the current small degree of slack, the growth of labour compensation remains moderate and inflation expectations stay well-anchored.

Reflecting all of these factors, the Bank has decided to maintain the target for the overnight rate at 1 per cent. Over time, some modest withdrawal of monetary policy stimulus will likely be required, consistent with achieving the 2 per cent inflation target. The timing and degree of any such withdrawal will be weighed carefully against global and domestic developments, including the evolution of imbalances in the household sector.

## Information note:

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The next scheduled date for announcing the overnight rate target is 23 January 2013. A full update of the Bank's outlook for the economy and inflation, including risks to the projection, will be published in the MPR at the same time.

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