



BANK OF CANADA
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Bank of Canada maintains policy rate and forward guidance

FOR IMMEDIATE RELEASE

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The Bank of Canada today held its target for the overnight rate at the effective lower bound of $\frac{1}{4}$ percent, with the Bank Rate at $\frac{1}{2}$ percent and the deposit rate at $\frac{1}{4}$ percent. The Bank's extraordinary forward guidance on the path for the overnight rate is being maintained. The Bank is continuing its reinvestment phase, keeping its overall holdings of Government of Canada bonds roughly constant.

The global economy continues to recover from the effects of the COVID-19 pandemic. Economic growth in the United States has accelerated, led by consumption, while growth in some other regions is moderating after a strong third quarter. Inflation has increased further in many countries, reflecting strong demand for goods amid ongoing supply disruptions. The new Omicron COVID-19 variant has prompted a tightening of travel restrictions in many countries and a decline in oil prices, and has injected renewed uncertainty. Accommodative financial conditions are still supporting economic activity.

Canada's economy grew by about $5\frac{1}{2}$ percent in the third quarter, as expected. Together with a downward revision to the second quarter, this brings the level of GDP to about $1\frac{1}{2}$ percent below its level in the last quarter of 2019, before the pandemic began. Third-quarter growth was led by a rebound in consumption, particularly services, as restrictions were further eased and higher vaccination rates improved confidence. Persistent supply bottlenecks continued to inhibit growth in other components of GDP, including non-commodity exports and business investment.

Recent economic indicators suggest the economy had considerable momentum into the fourth quarter. This includes broad-based job gains in recent months that have brought the employment rate essentially back to its pre-pandemic level. Job vacancies remain elevated and wage growth has also picked up. Housing activity had been moderating, but appears to be regaining strength, notably in resales. The devastating floods in British Columbia and uncertainties arising from the Omicron variant could weigh on growth by compounding supply chain disruptions and reducing demand for some services.

CPI inflation is elevated and the impact of global supply constraints is feeding through to a broader range of goods prices. The effects of these constraints on prices will likely take some time to work their way through, given existing supply backlogs. Gasoline prices, which had been a major factor pushing up CPI inflation, have recently declined. Meanwhile, core measures of inflation are little changed since September. The Bank continues to expect CPI inflation to remain elevated in the first half of 2022 and ease back towards 2 percent in the second half of the year. The Bank is closely watching inflation expectations and labour costs to ensure that the forces pushing up prices do not become embedded in ongoing inflation.

The Governing Council judges that in view of ongoing excess capacity, the economy continues to require considerable monetary policy support. We remain committed to holding the policy interest rate at the effective lower bound until economic slack is absorbed so that the 2 percent inflation target is sustainably achieved. In the Bank's October projection, this happens sometime in the middle quarters of 2022. We will provide the appropriate degree of monetary policy stimulus to support the recovery and achieve the inflation target.

Information note

The next scheduled date for announcing the overnight rate target is January 26, 2022. The Bank will publish its full outlook for the economy and inflation, including risks to the projection, in the Monetary Policy Report at the same time. Content Type(s): **Press, Press releases**