



BANK OF CANADA
BANQUE DU CANADA

Bank of Canada maintains overnight rate target at 1 per cent

FOR IMMEDIATE RELEASE

Media Relations

Ottawa, Ontario

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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.

Global economic growth has evolved broadly as anticipated in the Bank's January *Monetary Policy Report* (MPR). In the United States, the economic expansion is continuing at a modest pace, with gradually strengthening private demand partly offset by accelerated fiscal consolidation. Significant policy stimulus has been introduced in Japan. Europe, in contrast, remains in recession, with economic activity constrained by fiscal austerity, low confidence and tight credit conditions. After picking up to very strong rates in the second half of 2012, growth in China has eased. Commodity prices received by Canadian producers remain elevated by historical standards and, overall, they are little changed since the January MPR. The Bank expects global economic activity to grow modestly in 2013 before strengthening over the following two years.

Following a weak second half of 2012, growth in Canada is projected to regain some momentum through 2013 as net exports pick up and business investment returns to more solid growth. Consumer spending is expected to grow at a moderate pace over the projection horizon, while residential investment declines further from historically high levels. Growth in total household credit has slowed and the Bank continues to expect that the household debt-to-income ratio will stabilize near current levels. Despite the projected recovery in exports, they are likely to remain below their pre-recession peak until the second half of 2014 owing to restrained foreign demand and ongoing competitiveness challenges, including the persistent strength of the Canadian dollar.

On a quarterly basis, growth in Canada is expected to pick up to about 2.5 per cent in the second half of this year. Despite this expected pickup, with the weak growth in the second half of 2012, annual average growth is now projected to be 1.5 per cent in 2013. The economy is then projected to grow by 2.8 per cent in 2014 and 2.7 per cent in 2015, reaching full capacity in mid-2015 – later than anticipated in the January MPR.

Total CPI and core inflation have remained low in recent months, broadly in line with expectations in the January MPR. Muted core inflation reflects material excess supply in the economy, heightened competitive pressures in the retail sector, and some special factors such as slower increases in regulated prices and the pass-through of previous declines in agricultural prices to consumer prices. Total CPI inflation has been restrained by low core inflation and declining mortgage interest costs, with some offset from higher gasoline prices.

Both total and core inflation are expected to remain subdued in coming quarters before gradually rising to 2 per cent by mid-2015 as the economy returns to full capacity, the special factors that are weighing on core inflation subside, 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. With continued slack in the Canadian economy, the muted outlook for inflation, and the constructive evolution of imbalances in the household sector, the considerable monetary policy stimulus currently in place will likely remain appropriate for a period of time, after which some modest withdrawal will likely be required, consistent with achieving the 2 per cent inflation target.

Information note:

The next scheduled date for announcing the overnight rate target is 29 May 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 July 2013.

Content Type(s): **Press, Press releases**

Monetary Policy Report

April 2013



Monetary Policy Report – April 2013

Following growth of 1.8 per cent in 2012, the Canadian economy is expected to grow by 1.5 per cent in 2013, 2.8 percent in 2014 and 2.7 in 2015, and to reach full capacity in mid-2015, later than anticipated in the January *Report*.

Related Information

Release of the Monetary Policy Report

April 17, 2013

Opening statement **Mark Carney** **Ottawa, Ontario**

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

Content Type(s): **Press, Speeches and appearances, Opening statements**

Monetary Policy Report - Press Conference (Video) - April 2013

April 17, 2013



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

Content Type(s): **Press, Speeches and appearances, Webcasts**

Monetary Policy Report - Press Conference (Audio) - April 2013

April 17, 2013



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

Content Type(s): **Press, Speeches and appearances, Webcasts**