



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 economy is expanding at a modest rate, as the Bank expected. Although growth in several emerging markets has continued to ease, growth in the United States during the third quarter of 2013 was stronger than forecast. Even if some of this pickup was due to temporary factors, the data are consistent with the Bank's view of gathering momentum in the U.S. economy.

In Canada, underlying growth is broadly in line with the Bank's projections in its October and July *Monetary Policy Reports*. Real GDP growth in the third quarter, at 2.7 per cent, was stronger than the Bank was projecting, but its composition does not yet indicate a rebalancing towards exports and investment. The housing sector has been stronger than expected but is consistent with updated demographic data and a pulling forward of home purchases in light of favourable financing conditions. The Bank continues to expect a soft landing in the housing market. Non-commodity exports continue to disappoint and the price of oil produced in Canada has eased further. Business investment spending is up from previous low levels, but is still recovering more slowly than anticipated. On balance, the Bank sees no reason to adjust its expectation of a gradual return to full production capacity around the end of 2015.

Meanwhile, inflation has moved further below the Bank's 2 per cent target. Core inflation is being held down by significant excess supply and by the effects of heightened competition in the retail sector, which look to be more persistent than anticipated. In addition, total CPI inflation has been pushed down by lower gasoline prices.

The risks associated with elevated household imbalances have not materially changed, while the downside risks to inflation appear to be greater. Overall, the balance of risks remains within the zone articulated in October. Weighing these considerations, the Bank judges that the substantial monetary policy stimulus currently in place remains appropriate and therefore has decided to maintain the target for the overnight rate at 1 per cent.

**Information note:**

The next scheduled date for announcing the overnight rate target is 22 January 2014. The next full update of the Bank's outlook for the economy and inflation, including risks to the projection, will be published in the *Monetary Policy Report* at the same time.

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