



BANK OF CANADA
BANQUE DU CANADA

Bank of Canada maintains overnight rate target at 1 per cent

FOR IMMEDIATE RELEASE

Media Relations

Ottawa, Ontario

October 23, 2013

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 expected to expand modestly in 2013, although its near-term dynamic has changed and the composition of growth is now slightly less favourable for Canada. The U.S. economy is softer than expected but as fiscal headwinds dissipate and household deleveraging ends, growth should accelerate through 2014 and 2015. The nascent recovery in Europe, while modest, has surprised on the upside. China's economy is showing renewed momentum, while growth in a number of other emerging market economies has slowed as their financial conditions have tightened. Overall, the global economy is projected to grow by 2.8 per cent in 2013 and accelerate to 3.4 per cent in 2014 and 3.6 per cent in 2015.

In Canada, uncertain global and domestic economic conditions are delaying the pick-up in exports and business investment, leaving the level of economic activity lower than the Bank had been expecting. While household spending remains solid, slower growth of household credit and higher mortgage interest rates point to a gradual unwinding of household imbalances. The Bank expects that a better balance between domestic and foreign demand will be achieved over time and that growth will become more self-sustaining. Real GDP growth is projected to increase from 1.6 per cent in 2013 to 2.3 per cent in 2014 and 2.6 per cent in 2015. The Bank expects that the economy will return gradually to full production capacity, around the end of 2015.

Inflation in Canada has remained low in recent months, reflecting the significant slack in the economy, heightened competition in the retail sector, and other sector-specific factors. With larger and more persistent excess supply in the economy, both total CPI and core inflation are expected to return more gradually to 2 per cent, around the end of 2015.

Although the Bank considers the risks around its projected inflation path to be balanced, the fact that inflation has been persistently below target means that downside risks to inflation assume increasing importance. However, the Bank must also take into consideration the risk of exacerbating already-elevated household imbalances. 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 4 December 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 *Monetary Policy Report* on 22 January 2014.

Content Type(s): [Press](#), [Press releases](#)

Monetary Policy Report

October 2013



Monetary Policy Report – October 2013

The Canadian economy is expected to grow by 1.6 per cent in 2013, 2.3 per cent in 2014 and 2.6 per cent in 2015, and to reach full production capacity around the end of 2015.

Related Information

Release of the Monetary Policy Report

October 23, 2013

Opening statement **Stephen S. Poloz** **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) - October 2013

October 23, 2013



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

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

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

October 23, 2013



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

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