



BANK OF CANADA
BANQUE DU CANADA

Bank of Canada raises overnight rate target by 1/4 percentage point to 3 1/4 per cent

FOR IMMEDIATE RELEASE

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The Bank of Canada today announced that it is raising its target for the overnight rate by one-quarter of one percentage point to 3 1/4 per cent. The operating band for the overnight rate is correspondingly increased, and the Bank Rate is now 3 1/2 per cent.

Information received since the October *Monetary Policy Report (MPR)* indicates that the Canadian and global economies have been evolving largely in line with the Bank's expectations. In Canada, despite somewhat stronger than expected output growth in the third quarter, the Bank expects the level of economic activity at the end of 2005 to be about as projected in the *MPR*. Total CPI inflation, at 2.6 per cent in October, has come down more quickly than expected, primarily reflecting a rapid decline in gasoline prices. Core inflation, at 1.7 per cent in October, is in line with the Bank's projection. Overall, the Bank's outlook for the economy and inflation through 2006 and 2007 is broadly unchanged from October.

The Bank continues to judge that the risks to the outlook are balanced over the short term, but are tilted to the downside through 2007 and beyond. In line with the outlook, some further reduction in monetary stimulus will be required to maintain a balance between aggregate supply and demand over the next four to six quarters and keep inflation on target. The Bank will continue to monitor international developments particularly closely and to assess the adjustments and underlying trends in the Canadian economy, as well as the balance of risks, as it conducts monetary policy to keep inflation on target over the medium term.

Information note:

The Bank of Canada's next scheduled date for announcing the overnight rate target is 24 January 2006.

The *Monetary Policy Report Update* will be published on 26 January 2006.

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