



BANK OF CANADA  
BANQUE DU CANADA

## 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.

Global growth prospects are unfolding largely as the Bank projected in its July *Monetary Policy Report* (MPR), with a widespread slowing of activity across advanced and emerging economies. The economic expansion in the United States continues at a gradual pace. Europe is in recession and its crisis, while contained, remains acute. In China and other major emerging economies, growth is decelerating somewhat more quickly than expected from previously-rapid rates, reflecting past policy tightening, weaker external demand, and the challenges of rebalancing towards domestic sources of growth. Notwithstanding the slower global momentum, prices for oil and other commodities produced by Canada have, on average, increased since July.

In Canada, while global headwinds continue to restrain economic activity, underlying momentum remains at a pace roughly in line with the economy's production potential. Economic growth is expected to pick up through 2013, with consumption and business investment continuing to be its principal drivers, reflecting very stimulative financial conditions. Business investment remains solid. There are tentative signs of slowing in household spending, although the household debt burden continues to rise. Canadian exports are projected to remain below their pre-recession peak until the beginning of 2014, reflecting the dynamics of foreign demand and ongoing competitiveness challenges, including the persistent strength of the Canadian dollar.

Core inflation has been softer than expected in recent months but, with the economy operating near its production potential, it is expected to return, along with total CPI inflation, to 2 per cent over the course of the next 12 months.

Reflecting all of these factors, the Bank has decided to maintain the target for the overnight rate at 1 per cent. To the extent that the economic expansion continues and the current excess supply in the economy is gradually absorbed, some modest withdrawal of the present considerable monetary policy stimulus may become appropriate, consistent with achieving the 2 per cent inflation target over the medium term. The timing and degree of any such withdrawal will be weighed carefully against domestic and global economic developments.

## Information note:

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The next scheduled date for announcing the overnight rate target is 23 October 2012. A full update of the Bank's outlook for the economy and inflation, including risks to the projection, will be published in the MPR on 24 October 2012.

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