



BANK OF CANADA
BANQUE DU CANADA

Bank of Canada maintains overnight rate target at 3/4 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 3/4 per cent. The Bank Rate is correspondingly 1 per cent and the deposit rate is 1/2 per cent.

Inflation in Canada continues to track the path outlined in the Bank's April *Monetary Policy Report* (MPR). Total CPI inflation is near the bottom of the Bank's 1 to 3 per cent inflation control range, largely due to the transitory effects of sharply lower energy prices. Core inflation remains above 2 per cent, boosted by the pass-through effects of past depreciation of the Canadian dollar, as well as certain sector-specific factors. Seeing through the various temporary factors, the Bank estimates that the underlying trend of inflation is 1.6 to 1.8 per cent, consistent with persistent slack in the economy.

The outlook for the Canadian economy also remains largely in line with the April MPR. While a weak first quarter in the United States has raised questions about that economy's underlying strength, the Bank expects a return to solid growth in the second quarter. This will help advance the rotation of demand in Canada toward more exports and business investment. Recent indicators suggest consumption in Canada is holding up relatively well, given the impact of lower oil prices on gross domestic income.

Despite the recent back-up in global bond yields, financial conditions for Canadian households and firms remain highly stimulative. The Canadian dollar has strengthened in recent weeks in the context of higher oil prices and a softer U.S. dollar. If these developments are sustained, their net effect will need to be assessed as more data become available in the months ahead.

Although a number of complex adjustments are under way, the Bank's assessment of risks to the inflation profile has not materially changed. Risks to financial stability remain elevated, but appear to be evolving as expected. Weighing all of these risks, the Bank judges that the current degree of monetary policy stimulus remains appropriate and therefore the target for the overnight rate remains at 3/4 per cent.

Information note:

The next scheduled date for announcing the overnight rate target is 15 July 2015. 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 at the same time.

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