



BANK OF CANADA  
BANQUE DU CANADA

## Bank of Canada maintains overnight rate target at 1 per cent

FOR IMMEDIATE RELEASE

**Media Relations**

**Ottawa, Ontario**

May 29, 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.

Global economic growth has evolved largely as anticipated in the Bank's April *Monetary Policy Report* (MPR). In the United States, the economic expansion is progressing at a modest pace, with continued strengthening in private demand partly offset by fiscal consolidation. Japan's economy is beginning to respond to significant policy stimulus. Europe, in contrast, remains in recession. Growth in China has continued to ease from very strong rates, weighing somewhat on global commodity prices. The Bank continues to expect global economic activity to grow modestly in 2013 before strengthening over the following two years.

In Canada, recent economic indicators suggest that growth in the first quarter was stronger than the Bank projected in April. For the year as a whole, growth is expected to remain broadly in line with the Bank's MPR forecast. Over the projection horizon, consumer spending is expected to grow at a moderate pace, business investment to grow solidly, and residential investment to decline further from historically high levels. Growth in total household credit is slowing and the Bank continues to expect that the household debt-to-income ratio will stabilize near current levels. Exports are projected to continue to recover, but to be restrained by subdued foreign demand and ongoing competitiveness challenges, including the persistent strength of the Canadian dollar.

Core inflation is in line with the April MPR projection, while total CPI inflation has been slightly weaker. Both total and core inflation are expected to remain subdued in coming quarters before gradually rising to 2 per cent by mid-2015 as the economy returns to full capacity and inflation expectations remain well-anchored.

Reflecting all of these factors, the Bank has decided to maintain the target for the overnight rate at 1 per cent. With continued slack in the Canadian economy, the muted outlook for inflation, and the constructive evolution of imbalances in the household sector, the considerable monetary policy stimulus currently in place will likely remain appropriate for a period of time, after which some modest withdrawal will likely be required, consistent with achieving the 2 per cent inflation target.

## Information note:

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The next scheduled date for announcing the overnight rate target is 17 July 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 MPR at the same time.

Content Type(s): **Press, Press releases**