



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

FOR IMMEDIATE RELEASE

**Media Relations**

**Ottawa, Ontario**

December 7, 2010

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 economic recovery is proceeding largely as expected, although risks have increased. As anticipated, private domestic demand in the United States is picking up slowly, while growth in emerging-market economies has begun to ease to a more sustainable, but still robust, pace. In Europe, recent data have been consistent with a modest recovery. At the same time, there is an increased risk that sovereign debt concerns in several countries could trigger renewed strains in global financial markets.

The recovery in Canada is proceeding at a moderate pace, although economic activity in the second half of 2010 appears slightly weaker than the Bank projected in its October *Monetary Policy Report*. In the third quarter, household spending was stronger than the Bank had anticipated and growth in business investment was robust. However, net exports were weaker than projected and continued to exert a significant drag on growth. This underlines a previously-identified risk that a combination of disappointing productivity performance and persistent strength in the Canadian dollar could dampen the expected recovery of net exports.

Inflation dynamics in Canada have been broadly in line with the Bank's expectations and the underlying pressures affecting prices remain largely unchanged.

Reflecting all of these factors, the Bank has decided to maintain the target for the overnight rate at 1 per cent. This leaves considerable monetary stimulus in place, consistent with achieving the 2 per cent inflation target in an environment of significant excess supply in Canada. Any further reduction in monetary policy stimulus would need to be carefully considered.

### Information note:

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The next scheduled date for announcing the overnight rate target is 18 January 2011. A 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 19 January 2011.

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