



BANK OF CANADA

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Governor Dodge Looks at the Global Economy and the Implications for Ontario

OTTAWA—In a speech by video conference to the Ontario Economic Leadership Summit in Niagara-on-the-Lake, Governor Dodge reviewed the Bank's projections contained in the *Monetary Policy Report*, published last week. Global economic growth is expected to be a little higher than previously anticipated, but a weaker near-term outlook for the U.S. economy has curbed the near-term prospects for Canadian exports and growth, the Governor said. The Bank's base-case projection now calls for average annual GDP growth of 2.8 per cent in 2006, 2.5 per cent in 2007, and a return to 2.8 per cent in 2008.

Governor Dodge pointed out that Ontario's economy will be affected more than the national average because of the close ties between the province's industrial base and the two sectors of the U.S. economy that are slowing the most: automobiles and housing. "Nevertheless, modest growth in Ontario's economy should persist," Governor Dodge said. "Seventy per cent of Ontario's economic activity comes from the service sector, and that sector remains in good shape."

The Governor went on to address some of the longer-term structural challenges facing Ontario, as well as some of the policies that will be important to secure Ontario's economic future. In particular, the Governor stressed the need for sound policies on the development of human resources and ongoing improvements in the province's infrastructure.