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Joint Statement of the Government of Canada and the Bank of Canada on the Renewal of the Inflation-Control Target

The primary objective of Canada's monetary policy is to enhance the well-being of Canadians by contributing to sustained economic growth, rising levels of employment and improved living standards. Experience has clearly shown that the best way monetary policy can achieve this goal is by giving Canadian households and businesses confidence in the value of their money.

In 1991, 20 years ago, Canada adopted an inflation-targeting framework to guide its monetary policy. During this time, Consumer Price Index (CPI) inflation has been reduced to a low, stable and predictable level of close to 2 per cent, real output has expanded at an average rate of close to 3 per cent per year and the performance of the labour market has been strong, with the unemployment rate falling below 6 per cent prior to the 2008-2009 global economic and financial crisis. These positive developments have been fostered by the joint commitment of the Government of Canada and the Bank of Canada to the inflation target, which has helped to anchor inflation expectations and has provided a more stable and certain economic environment in which Canadians can make their investment and spending decisions.

The experience of the global economic and financial crisis underscored the value of Canada's flexible inflation-targeting framework. The inflation-targeting framework, prudent fiscal policy and a sound domestic financial system have helped ensure that Canada has been one of the strongest performing advanced economies during and following the global economic and financial crisis. Canada is the only G7 country to have more than recovered both all of the output and all of the jobs lost during the recession.

Based on this positive experience, the Government of Canada and the Bank of Canada agree to renew the inflation target on the following basis:

- The target will continue to be defined in terms of the 12-month rate of change in the total CPI.
- The inflation target will continue to be the 2 per cent mid-point of the 1 to 3 per cent inflation-control range.
- The agreement will run for another five-year period, ending 31 December 2016.

The Bank will continue its research into potential improvements in the monetary policy framework. Before the end of 2016, the Government and the Bank will review the experience over the period and the results of the research and determine the appropriate target for the years ahead.

The commitment by the Government and the Bank to this inflation-control target will ensure that Canadians continue to derive the economic and social benefits from low, stable and predictable inflation and will underpin confidence in Canada's economic prospects in the coming years.