



Bank of Canada maintains overnight rate target at 3/4 per cent

OTTAWA – 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.

Total CPI inflation in Canada has fallen as expected, reflecting the significant drop in oil prices. Core inflation remains close to 2 per cent and continues to be temporarily boosted by the pass-through effects of the lower Canadian dollar, as well as sector-specific factors.

The global economy is evolving broadly in line with projections in the Bank's January *Monetary Policy Report* (MPR). The United States remains the main source of momentum in the global economy, while headwinds to growth linger in many regions. In this context, a growing number of central banks have taken actions to ease monetary conditions. Crude oil prices are close to the Bank's MPR assumptions.

Canadian economic growth in the fourth quarter of 2014 was consistent with the Bank's expectations. The oil price shock had a modest early impact on aggregate demand, and a larger effect on income. The Bank continues to expect that most of the negative impact from lower oil prices will appear in the first half of 2015, although it may be even more front-loaded than projected in January. Nevertheless, data for 2014 as a whole suggest the anticipated rotation into stronger growth in non-energy exports and investment is well underway.

Financial conditions in Canada have eased materially since January, in response to the Bank's recent monetary policy action and to global financial developments. This easing is reflected across the yield curve and in a wide range of asset prices, including the Canadian dollar. These conditions will mitigate the negative effects of the oil price shock, further boosting growth through stronger non-energy exports and investment.

In light of these developments, the risks around the inflation profile are now more balanced and financial stability risks are evolving as expected in January. At present, we judge that the current degree of monetary policy stimulus is still appropriate and 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 April 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.