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Canada and Mexico both set to capitalize on current opportunities, Bank of Canada Governor Poloz says

MEXICO CITY, MEXICO—Canada and Mexico share economic traits that leave both well placed to face global challenges and capitalize on opportunities, Bank of Canada Governor Stephen S. Poloz said today.

In a speech to CanCham México and the Club de Industriales, Governor Poloz showed how the similarities between Canada and Mexico—including their shared approach to monetary policy and the importance of industries such as oil and automobiles—have meant that global disruptions have hit the two economies in a similar way.

The plunge in oil prices that began in the second half of 2014 led to a major loss of income for both countries, the Governor noted. However, sound economic policies helped both adapt. “There is no doubt that the predictability and certainty that come from inflation targeting helped Canada’s economy respond as quickly as it has,” Governor Poloz said. “Mexico’s inflation-targeting framework helped make its economy relatively resilient to the shock as well.”

Canada and Mexico now face the common challenge of dealing with uncertainty in future US trade policy, particularly given the importance of that market to both economies. “This uncertainty has real consequences for companies,” Governor Poloz said. “When you consider that the painful memories of the global financial crisis are still fresh, it is not surprising that companies would continue to hesitate to expand.”

The Governor called on business and labour leaders to help policy-makers combat uncertainty by showing how open trade and economic integration have supported job creation across North America. “We know that with protectionism, everybody loses eventually, including the country that puts the policies in place,” Governor Poloz said. “And the uncertainty around this threat of increased protectionism is holding back growth.”

Governor Poloz also pointed to a number of ways that both countries can support growth and employment. These include pursuing free trade agreements outside North America—an area where Mexico has a significant head start over Canada—and domestic structural improvements. “Beyond pushing for open markets, governments can pursue structural policies that allow our economies to be as flexible as possible,” he said.

“We have faced obstacles before, and have overcome them,” Governor Poloz concluded. “Canada and Mexico’s shared commitment to open trade means both of our countries are well placed to thrive, whatever the international environment.”