



Bank of Canada maintains overnight rate target at 1 per cent

OTTAWA – The Bank of Canada today maintained 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 economy is evolving largely as expected in the Bank's October *Monetary Policy Report* (MPR). In the United States, growth in the third quarter was stronger than forecast but is still expected to moderate in the months ahead. Growth has firmed in other advanced economies. Meanwhile, oil prices have moved higher and financial conditions have eased. The global outlook remains subject to considerable uncertainty, notably about geopolitical developments and trade policies.

Recent Canadian data are in line with October's outlook, which was for growth to moderate while remaining above potential in the second half of 2017. Employment growth has been very strong and wages have shown some improvement, supporting robust consumer spending in the third quarter. Business investment continued to contribute to growth after a strong first half, and public infrastructure spending is becoming more evident in the data. Following exceptionally strong growth earlier in 2017, exports declined by more than was expected in the third quarter. However, the latest trade data support the MPR projection that export growth will resume as foreign demand strengthens. Housing has continued to moderate, as expected.

Inflation has been slightly higher than anticipated and will continue to be boosted in the short term by temporary factors, particularly gasoline prices. Measures of core inflation have edged up in recent months, reflecting the continued absorption of economic slack. Revisions to past quarterly national accounts have resulted in a higher level of GDP. However, this is unlikely to have significant implications for the output gap because the revisions also imply a higher level of potential output. Meanwhile, despite rising employment and participation rates, other indicators point to ongoing – albeit diminishing – slack in the labour market.

Based on the outlook for inflation and the evolution of the risks and uncertainties identified in October's MPR, Governing Council judges that the current stance of monetary policy remains appropriate. While higher interest rates will likely be required over time, Governing Council will continue to be cautious, guided by incoming data in assessing the economy's sensitivity to interest rates, the evolution of economic capacity, and the dynamics of both wage growth and inflation.

Information note:

The next scheduled date for announcing the overnight rate target is January 17, 2018. 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.