



BANK OF CANADA

---

FOR IMMEDIATE RELEASE  
27 January 2000

CONTACT: Laurette Bergeron  
(613) 782-8782

**Bank of Canada Governor speaks to  
the Metropolitan Halifax Chamber of Commerce**

HALIFAX, N.S. – There has been a dramatic move among major central banks over the past decade towards greater transparency in monetary policy, Bank of Canada Governor Gordon Thiessen told the Metropolitan Halifax Chamber of Commerce in a speech today. This process has been driven not only by the general trend to greater accountability on the part of public institutions, but also by the appreciation that transparency can lead to better policy outcomes.

The Governor reviewed some of the steps taken by the Bank to increase accountability and transparency in monetary policy, beginning with the adoption of explicit inflation targets in 1991. He said that consistent achievement of the targets has helped to change public expectations of future inflation: “The more credible the Bank’s commitment to the targets became, the more Canadians formed their plans on the assumption that the future trend of inflation would stay inside the target range.”

Mr. Thiessen emphasized that, over time, this credible commitment to inflation control also “sets other positive developments in motion. As credibility rises, uncertainty about future inflation diminishes. Interest rates are lower than otherwise and investment in machinery, equipment, and technology increases, leading to stronger economic growth over the longer run.”

The Governor highlighted the Bank’s latest initiative to improve communications—a twice-yearly *Update to the Monetary Policy Report* by the Bank’s Governing Council. The *Update* will be published every February and August, between the May and November issues of the *Monetary Policy Report*, which gives an account of the Bank’s management of monetary policy. The next *Update* will be issued this February and will appear in the Winter 1999-2000 issue of the *Bank of Canada Review*.

In keeping with the theme of transparency, Mr. Thiessen provided the Bank’s latest assessment of the outlook for the Canadian economy and the implications for inflation and monetary policy.

He said that the economy registered a strong performance in 1999, expanding by close to 4 per cent between the fourth quarter of 1998 and the fourth quarter of 1999 and “employment has been growing strongly, taking the national unemployment rate down to an 18-year low of just under 7 per cent.”

The Governor said that information received since the last *Monetary Policy Report* suggests that, as we look ahead, there could be more momentum of demand in Canada than thought earlier “because of greater strength both in the world economy, especially in the United States, and in global commodity markets.” For this year, growth could be somewhat higher—in the upper half of the 2¾ to 3¾ per cent range that the Bank suggested in the autumn. These recent developments continue to point to the inflation risks that the Bank highlighted in November.

“While *conventional* measures [of potential output] suggest that the economy may now be operating at capacity, it is quite likely that structural changes have raised the output potential of our economy. But we are not sure by how much.”

The Governor pointed out that, because of the strong momentum of demand and because of the uncertainty surrounding the conventional estimates of the economy’s capacity to produce, “the Bank must ... continue to watch for leading signs of future price and cost pressures and stand ready to respond promptly if such signs emerge.” It is important that the Bank remain vigilant because “low and stable inflation is a crucial ingredient for a durable, healthy economic expansion.”