



BANK OF CANADA

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**Governor talks about the Bank of Canada's contribution to monetary and financial stability and about the current economic situation**

VANCOUVER, B.C. – In a speech today to The Vancouver Board of Trade, Governor David Dodge said that the Bank of Canada contributes to the economic well-being of Canadians by preserving confidence in the value of money and by promoting the safety and soundness of Canada's financial system.

Mr. Dodge explained that the ultimate objective of a monetary policy focused on low, stable, and predictable inflation is to contribute to good economic performance by creating conditions that favour sustained growth in output, employment, and incomes, and by promoting a more stable macroeconomic climate. And when there is increased uncertainty, as there is currently, “by targeting inflation the Bank is providing appropriate support for growth in output and employment.”

He went on to say that, although monetary stability is crucial to sound economic performance, “a market economy like ours cannot function properly unless it is also supported by a strong financial system.” Thus, the Bank will continue to work closely with its domestic and foreign partners to strengthen financial stability at home and abroad and to ensure that Canada's sound and efficient financial system stays that way.

Turning to the economy, Mr. Dodge said that the Bank continues to believe that the pace of economic expansion in Canada, after slowing in the first half of this year, should strengthen in the second half and in 2002. Among the factors that are expected to bring about this pickup in activity are easier domestic monetary conditions, recent tax cuts, ongoing business investment in new technology, and, importantly, the resumption of stronger growth in the United States.

While acknowledging that “there are uncertainties attached to this scenario, mainly stemming from external—especially U.S.—developments,” Governor Dodge added that “there are good reasons to be positive about Canada's economic prospects over the medium term.” Canada's sound economic foundation gives us a “solid basis to stand on as we go through this period of economic adjustment. And it provides a platform for future growth.”