



BANK OF CANADA

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Governor Reviews Measures to Foster Confidence

VANCOUVER, BRITISH COLUMBIA—Bank of Canada Governor David Dodge said today that substantial progress has been made in building investor and consumer confidence in the face of recent economic shocks and corporate finance and accounting scandals.

Speaking to the Vancouver Board of Trade, the Governor outlined recent efforts by regulators, governments, and corporations to reinforce trust in financial markets. “Of course, these efforts also promote better corporate decision-making, greater efficiency, and stronger corporations. That is why it’s in the interest of all of us that we make further progress,” Mr. Dodge said.

Regarding the economy, the Governor noted that growth during the second quarter of 2003 was interrupted by near-term factors, such as SARS and restrictions on Canadian exports of cattle and beef following the discovery of an isolated case of mad-cow disease. Growth in the third quarter will also likely remain below potential because of the remaining trade restrictions on exports of beef and cattle, the recent power blackout in Ontario, and the forest fires in Western Canada.

“Notwithstanding the temporary factors that have affected the economy in the second and third quarters of this year, we see indications that the conditions are in place for stronger economic growth,” said the Governor. Core inflation is expected to remain below the 2 per cent target for some time.

Against this background, on 3 September, the Bank of Canada lowered its target for the overnight rate by one-quarter of one percentage point, to 2 ¾ per cent. “With this decision, policy interest rates will support the return to levels of economic activity that are consistent with an overall balance between supply and demand in the economy. Achieving that balance will work to return inflation to the target over the medium term.”