



BANK OF CANADA

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Sound Economic Policies Help Meet Global Challenges, Governor Says

LONDON, ENGLAND—The best way to promote sustained economic growth is to stick to an economic policy framework that has proven its worth, Bank of Canada Governor David Dodge said today. In a speech to the Canada-UK Chamber of Commerce, he stressed the importance of staying with the policy framework that Canada and other major industrial countries endorsed in the 1980s.

Governor Dodge said that Canada has benefited from implementing sound policies in four major areas—monetary policy, fiscal policy, trade liberalization, and structural reform.

“Canadians spent a great deal of effort over the past decade or so putting the four elements of this policy framework into place,” the Governor said. “Canada is now receiving the economic payoff from this effort. Since 1997, our economy has consistently exceeded the average growth rates of the world's most industrialized countries. And we are expected to do so again this year.”

The Governor noted that the current global economic uncertainty makes it more important than ever for national authorities around the world to keep to this policy framework.

“Significant geopolitical and global economic uncertainties continue to overhang the economic outlook for all countries,” he said. “In Canada, we have learned that it is by sticking to these principles that we create economic structures that can withstand turmoil.”

Mr. Dodge pointed out that inflation in Canada has been well above its 2 per cent target for the past few months, while monetary policy remains stimulative. “Over time, further reductions in monetary stimulus will be required to return inflation to the target over the medium term,” he said. In determining the timing and pace of this action, the Bank will continue to monitor inflation, inflation expectations, the state of business confidence, and the geopolitical situation.

With respect to the outlook for the Canadian economy, Mr. Dodge said that the Bank continues to expect expansion somewhat below the 3 per cent growth rate of the economy's production potential in the first half of the year. But growth should accelerate in the second half as global uncertainties diminish. The Bank expects the level of economic output to remain close to capacity during 2003 and into 2004.