



BANK OF CANADA

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### **Sound Economic Policies Pay Off, Governor Says**

ROME, ITALY—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 Italian Bankers Association, he reiterated the importance of sticking to the policy framework that Canada and other major industrial countries endorsed in the 1980s.

Governor Dodge said Canada has benefited from implementing sound policies in four major areas—monetary policy, fiscal policy, trade liberalization, and structural reform. The Governor noted that the payoff that Canada is now seeing gives him confidence in the value of the four policy principles. Despite recent difficulties in the global economy, “Canada’s economy has remained strong. And most forecasters expect us to lead the G-7 in economic growth again this year,” he added.

“With all the uncertainty in the global economy, it is more important than ever that national authorities around the world stick to this policy framework. It is only by staying the course that we can establish a steady base for sustained growth over the long term,” Mr. Dodge said.

With respect to the current state of the Canadian economy, Mr. Dodge pointed out that inflation in Canada has been 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.

Mr. Dodge repeated 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.

The Governor’s speech followed similar remarks he delivered on 12 March to the Canada-UK Chamber of Commerce in London, England.