



BANK OF CANADA

FOR IMMEDIATE RELEASE
21 March 2005

CONTACT: Jeremy Harrison
(613) 782-8782

Governor Dodge Discusses Canada's Experience with Inflation Targeting

WASHINGTON, D.C.—Bank of Canada Governor David Dodge said today that Canada's experience under inflation targeting has been "unambiguously positive" since the central bank and federal government agreed to adopt this monetary policy framework in 1991.

In a speech to the National Association for Business Economics, Governor Dodge stressed that for both the Bank of Canada and the federal government, inflation targeting has been seen as a means to an end, not as an end in itself. Inflation targeting is "the best way to achieve high, sustainable growth of output and employment," he said. "It is the best means of fulfilling our commitment to promote the economic and financial welfare of Canada."

Inflation targeting has lived up to the expectations that the Bank had about it when it was adopted in 1991, Governor Dodge said. Not only has inflation become more stable, but because expectations of future inflation are also stable, the performance of the Canadian economy has also improved.

"There is evidence that inflation targeting has been successful as a macroeconomic stabilizer, helping to smooth the peaks and valleys of the business cycle," Dodge said. "With inflation targeting, our policy is more focused, our communications are clearer, and Canada's inflation expectations are more solidly anchored."