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Financial System Stability is Key Determinant of Economy's Ability to Rebound from Global Shock, Governor Carney says

REGINA, Saskatchewan – Despite the often discussed “green shoots” in the global economy, much hard work remains to be done before a recovery will take hold, Bank of Canada Governor Mark Carney said today. “Saskatchewanians know that it is a long, anxious time between the appearance of seedlings and the harvest,” Governor Carney told the Regina & District Chamber of Commerce.

In a speech focusing on the stability of the Canadian financial system, Governor Carney said that the overall level of risk to the Canadian financial system is broadly unchanged since last December. He discussed three risks to Canada's financial stability: 1) the liquidity and funding positions of our banks, 2) the adequacy of their capital, and 3) the financial health of Canadian households. The strong position of Canada's banks has improved further in recent months and the balance sheets of Canadian households continue to be relatively sound. However, the global recession will mean that these reserves will be drawn upon in the months ahead.

While Canada's financial system is among the world's soundest, the global financial crisis has proven that even the best is not good enough, Governor Carney said. More robust core funding markets, a better bank capital regime, and measures to reduce procyclicality all need to be put in place, the Governor said. Just as farmers are constantly innovating and investing in new equipment and crop varieties, policy makers need to innovate to make our financial system more resilient and efficient.

“The Bank will continue to work with our domestic and international partners to build such a financial system,” Governor Carney said in conclusion, “so that the economic harvest in Saskatchewan and across Canada can be more consistently bountiful.”