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**Initial Success Should Not Give Way to Complacency,
Governor Carney Says**

VICTORIA, British Columbia – While there are renewed signs of economic growth in Canada and around the world, Bank of Canada Governor Mark Carney urged today that this initial success should not give way to complacency.

"The recovery is in its earliest stages and almost entirely driven by public policy," Governor Carney said, noting that the coordinated worldwide response to the global financial crisis and economic collapse was both ambitious and unprecedented. "In effect," he said, "there was wartime spending on a peacetime calamity."

For the recovery to take hold in a sustained fashion, a difficult hand-off from public- to private-led growth must occur over the medium term, the Governor said in a speech delivered to the Greater Victoria Chamber of Commerce. "Over the longer term, the economic environment will be challenging as the global economy undergoes a fundamental restructuring."

This global recovery is likely to be protracted, Governor Carney warned. "We may be on the right track, but there is a long road ahead," he said. Repair of major foreign financial systems remains a work in progress and it is important that private-sector demand grow consistently in the countries that were at the epicentre of the crisis, particularly the United States. Governor Carney cautioned that this may be both difficult and uneven.

"On balance, the external sector may not be reliable as the sole engine of the Canadian recovery," Governor Carney noted. "In this context, domestic factors could prove decisive." As the Canadian fiscal stimulus will largely be finished by next year, consumer and business spending will need to drive economic growth in Canada, he said.

In conclusion, Governor Carney reaffirmed the Bank of Canada's commitment to price stability and to keeping inflation low, stable, and predictable. "The Bank's sole monetary policy objective is to achieve its 2 per cent inflation target," Governor Carney said, adding, "the single, most direct contribution that monetary policy can make to sound economic performance is to provide Canadians with confidence that their money will retain its purchasing power."