



BANK OF CANADA

FOR IMMEDIATE RELEASE
22 March 1999

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Bank of Canada Governor speaks to the Mennonite Savings and Credit Union

KITCHENER, ONT. -- In a speech delivered today to the 35th annual meeting of the Mennonite Savings and Credit Union, Bank of Canada Governor Gordon Thiessen talked about financial sector reform, the economy, and monetary policy.

While agreeing with the recommendations of the MacKay Task Force for enhancing competition in the financial industry, he pointed out that “there can be a tension between the goals of fostering greater competition within the financial sector and of preserving safety and stability.” Thus, he suggested that we need to look at ways to ease this tension and find a balance between the twin objectives of efficiency and safety.

On the economy, Mr. Thiessen said that “considering the seriousness of the global difficulties we have been facing, the Canadian economy has coped much better than expected, and certainly better than in the past. This is because it is in sounder shape now than it has been for many years.”

“And we begin 1999 on a positive note,” he said. The Canadian economy has shown renewed strength recently, helped by easing global financial strains, buoyant U.S. demand, and the rebound from major labour disruptions at home. Stronger growth has been “accompanied by robust, broad-based employment gains through the closing months of 1998 and into early 1999.”

Although projections for 1999 remain tentative in light of lingering international uncertainties, Mr. Thiessen said that Canadians are now “looking at a somewhat more positive scenario than seemed possible last autumn.”

With interest rate cuts in all major industrial countries and with a measure of stability returning to world financial markets, concerns in Canadian markets have diminished. This has allowed the Bank of Canada to reverse most of the increase in the Bank Rate that took place last August, when the emphasis was temporarily placed on calming markets and preserving confidence. Mr. Thiessen concluded that “Calmer financial markets should now make it possible for the Bank to refocus attention on the medium-term policy objective of keeping the underlying trend of inflation inside the target range of 1 to 3 per cent.”