



**BANK OF CANADA**

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**Bank of Canada Governor speaks to  
*La Chambre de commerce de la région sherbrookoise***

SHERBROOKE, QUE. - The Canadian economy has come through the financial volatility and global economic slowdown of the past few years quite well and has started 1999 on a strong note, Bank of Canada Governor Gordon Thiessen told members of *La Chambre de Commerce de la région sherbrookoise* today.

“The world economic horizon is now clearer,” Mr. Thiessen said. “Interest rate reductions around the world (...) have helped to rebuild investor confidence and to calm global financial markets.” And the U.S. economy continues to flourish in 1999, with a momentum greater than most forecasters had predicted. This is the most positive element of the external environment for Canada. Strong U.S. demand for our products and renewed strength in domestic spending have translated into healthy employment growth.

“As we look ahead, steadier financial markets, employment gains, and accommodative monetary conditions should bolster spending by Canadian households and businesses. All this, coupled with sustained U.S. demand and our improved competitiveness should continue to contribute to an expanding Canadian economy,” he said.

He cautioned, however, that world economic and financial conditions are still fragile and that the Japanese economy continues to be a big question mark, leaving some uncertainty about the timing of a firm recovery in primary commodity markets and thus how strongly our economy will expand.

The Governor said that it was important that the improvement in the global financial environment not distract the international community from taking steps to reduce the risk of any future crises and to minimize their economic fallout.

International efforts are being directed to three main areas: strengthening financial systems; ensuring that countries follow responsible economic and financial policies; and developing effective ways to manage crises when they occur.

Steps being taken to strengthen financial systems focus on accounting and disclosure standards, supervisory and regulatory frameworks, and bankruptcy procedures.

It is also widely recognized that, above all, countries must follow responsible macroeconomic policies -- avoiding public sector deficits and debts and keeping inflation low and stable.

Mr. Thiessen added that the recent crises in Southeast Asia and Brazil suggest that “greater exchange rate flexibility would have helped to make borrowers and lenders more aware of exchange rate risks.”

Mechanisms to manage and resolve future crises should include provisions to ensure private lenders bear their fair share of the financial burden of dealing with crises, Mr. Thiessen said.

“The international community has been hard at work, seeking ways to strengthen the international financial architecture,” he concluded. “Canada has a stake in building a stronger, more stable international financial system and strongly supports global initiatives designed to achieve this.”