



Bank of Canada Governor Stephen S. Poloz Discusses Canada's Return to Natural Economic Growth

Vancouver, British Columbia —Canada's economy is moving toward the self-generating, self-sustaining growth it needs to normalize, and business investment will become increasingly solid as companies become more confident, Bank of Canada Governor Stephen S. Poloz said today in a speech in Vancouver.

"Evidence suggests we are now close to the tipping point from improving confidence into expanding capacity," Governor Poloz told members of the Vancouver Board of Trade. "Stronger investment means more new jobs will be created. It means more capital and better tools for workers, which will increase labour productivity."

Governor Poloz discussed the three economic questions on the minds of many Canadians: how the country will return to natural economic growth; what the economy will look like once it's there; and what indicators will signal that the economy is on the right path.

"I anticipate that the Canadian economy will normalize and growth will become natural, in contrast to the economic activity of the past six years, which has been fuelled by policy, including record-low interest rates," the Governor explained. "Natural growth will be self-generating and self-sustaining, and the economy will be growing at its potential, as its productive capacity expands."

Governor Poloz reiterated the Bank of Canada's commitment to conduct monetary policy that is appropriate and consistent with achieving its target of 2 per cent inflation.

"As global demand improves and investment growth strengthens, we should see higher potential output growth—that is, an increase in the speed at which the Canadian economy can grow without causing inflationary pressures," the Governor said, "The message here is that the economy should be able to support stronger activity without stoking inflation as investment ticks upward. Such an endogenous response of potential to stronger demand would be natural, given the slack that we see in our labour market."