

11 May 2000

Opening Statement
Monetary Policy Report Press Conference

This morning we released our latest *Monetary Policy Report*. The outlook that we see for Canadian economic growth and inflation is very positive.

The economy has outperformed expectations since our November *Report* and the underlying trend of inflation has been lower than expected. With the global economy gaining momentum and greater demand at home, we have raised our projection for economic growth in Canada to a range of 4 - 4½ per cent this year.

At this pace, pressures on capacity will likely intensify through the year, and we expect the core rate of inflation to rise gradually from 1½ to 2 per cent—the middle of our target range. To keep core inflation steady near the middle of the 1 to 3 per cent target, some deceleration in economic expansion or a more rapid increase in productivity and production capacity will be required during 2001.

The challenge for monetary policy will be to judge whether the trends of demand and supply are in balance. With the current momentum of demand in Canada, it appears that monetary policy will have to continue to lean against the wind. What is less certain, however, is the degree of monetary tightening that would be required.

What is clear is the crucial need to preserve the low trend of inflation that has been contributing to the recent good performance of the Canadian economy.