

CHECK AGAINST DELIVERY

Opening Statement by
David Dodge
Governor of the Bank of Canada
21 September 2001

Today, we released a section of the speech that I was to give in Moncton two days ago. It deals with current economic developments. The speech was postponed in light of last week's tragic events in the United States.

In the press release that we issued on our last fixed announcement date of 28 August, we noted the continuing uncertainties in the global economy. Last week's events in the United States obviously increase the uncertainty surrounding short-term economic prospects around the world and here in Canada.

It is too early to fully assess the likely consequences for our economy. Besides the direct effects of the disruption, the terrorist attacks in the United States will also affect the attitudes of consumers and businesses worldwide, including here in Canada. That is why the Bank has, as you know, taken measures to ensure that financial markets continue to function effectively and to provide further support for domestic economic growth.

Although it is difficult to look too far ahead in terms of the economic implications for Canada, growth in the third quarter will likely be close to zero or slightly negative, and we will continue to feel the adverse effects into the fourth quarter. The Bank continues to see core inflation falling to about 2 per cent by year-end. We expect that total CPI inflation will also drop to close to 2 per cent over the same period, assuming energy prices remain near current levels.

We will be carrying out a more complete analysis of those effects, including the impact on output and inflation for 2002, in preparation for our next policy announcement on 23 October.