



Bank of Canada maintains overnight rate target at 1/2 per cent

OTTAWA – The Bank of Canada today announced that it is maintaining its target for the overnight rate at 1/2 per cent. The Bank Rate is correspondingly 3/4 per cent and the deposit rate is 1/4 per cent.

Inflation has evolved in line with the outlook in the Bank's July *Monetary Policy Report* (MPR). Total CPI inflation remains near the bottom of the target range, reflecting year-over-year price declines for consumer energy products. Core inflation has been close to 2 per cent, with disinflationary pressures from economic slack being offset by transitory effects of the past depreciation of the Canadian dollar and some sector-specific factors. The dynamics of GDP growth in Canada outlined in July's MPR also remain intact. The stimulative effects of previous monetary policy actions are working their way through the Canadian economy.

Canada's resource sector continues to adjust to lower prices for oil and other commodities, with some spillover to the rest of the economy. These adjustments are complex and are expected to take considerable time. Economic activity continues to be underpinned by solid household spending and a firm recovery in the United States, with particular strength in the sectors of the U.S. economy that are important for Canadian exports.

Increasing uncertainty about growth prospects for China and other emerging-market economies, in contrast, is raising questions about the pace of the global recovery. This has contributed to heightened financial market volatility and lower commodity prices. Movements in the Canadian dollar are helping to absorb some of the impact of lower commodity prices and are facilitating the adjustments taking place in Canada's economy. While the overall export picture is still uncertain, the latest data confirm that exchange rate-sensitive exports are regaining momentum.

Meanwhile, risks to financial stability are evolving as expected. Taking all of these developments into consideration, the Bank judges that the risks to the outlook for inflation remain within the zone for which the current stance of monetary policy is appropriate. Therefore, the target for the overnight rate remains at 1/2 per cent.

Information note:

The next scheduled date for announcing the overnight rate target is 21 October 2015. The next full update of the Bank's outlook for the economy and inflation, including risks to the projection, will be published in the MPR at the same time.