

## Canada able to handle swings in resource prices, says Governor Poloz

**CALGARY, ALBERTA** — The Canadian economy is able to deal with the challenges posed by large movements in resource prices, Bank of Canada Governor Stephen S. Poloz said today.

In a speech at Calgary Economic Development's *2016 Economic Outlook* event, Governor Poloz said that it's far better for Canada to have natural resources than not, even if swings in their prices can complicate the management of companies and economic policy.

"Even when prices are falling, as they have been recently, our endowment represents a store of value and a source of future riches," the Governor noted.

The fundamental forces of supply and demand, along with constant technological progress, drive long-term cycles in resource prices, Governor Poloz said. "Why did oil prices fall so much? The main reason is that supply rose sharply, thanks primarily to technological advances in oil extraction everywhere," he said.

Lower oil prices do not mean that recent investments, which may last for decades, were a mistake, the Governor stated. "Without those investments, we would never have been able to capitalize on those higher prices, which boosted Canada's aggregate income."

Still, swings in prices signal that economic adjustments are needed, Governor Poloz said. They also require businesses and policy-makers to be flexible in the face of volatile resource prices and an uncertain future. "Canada has seen this movie before," he said. "We've managed it well in the past, and I'm confident we will continue to manage it well in the future."

These adjustments are often difficult and painful for the people affected and their families, the Governor said. The Bank of Canada's policy framework of flexible inflation targeting with a floating currency helps smooth the process, he pointed out.

"We've adjusted to rising prices; we can adjust to falling ones," Governor Poloz said. "Over the years, Canadians have used our endowment to build a prosperous economy. We will continue to do so."