BANK OF CANADA
BANQUE DU CANADA

FOR IMMEDIATE RELEASE
12 June 2017

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Canadian economy showing encouraging signs, says Senior Deputy Governor Wilkins

Winnipeg, Manitoba—With the adjustment to lower oil prices largely behind us, there are encouraging signs that growth is broadening across regions and sectors, Senior Deputy Governor Carolyn A. Wilkins told the Associates of the Asper School of Business in a speech today.

Senior Deputy Governor Wilkins discussed how having more broad-based economic growth makes it more likely that it will be sustainable over the medium term. This is the horizon Bank of Canada policy-makers consider as they set policy to achieve the Bank's 2 per cent inflation target.

"While broad-based growth is desirable, it's not under the direct control of monetary policy, and it's not our objective. We target a 2 per cent inflation rate," she said.

Senior Deputy Governor Wilkins focused on diversity in sources of growth from three perspectives: progress made in adjusting to lower oil prices, the range of industries that are growing and the evolution of the labour market.

One sign of progress in adjusting to lower oil prices is the bounce-back in capital expenditures in the oil and gas sector, which is helping to underpin renewed growth in business investment. Another comes from rising consumer demand in energy-intensive provinces. And Bank of Canada models also point to a broadening in provincial activity this year, reinforcing recent results in the Bank's *Business Outlook Survey*.

"What's encouraging is that this growth is not being driven by just a few key industries," Senior Deputy Governor Wilkins said. The data show that more than 70 per cent of industries have been expanding and the labour market continues to improve.

However, slack in the economy is still translating into below-target inflation, Senior Deputy Governor Wilkins said, and risks to the outlook remain.

To meet its inflation objective, the Bank must consider not only current economic conditions, but also how they will evolve, she said.

"If you saw a stop light ahead, you would begin letting up on the gas to slow down smoothly," said Senior Deputy Governor Wilkins. "You don't want to have to slam on the brakes at the last second. Monetary policy must also anticipate the road ahead."