



Bank of Canada maintains overnight rate target at 1 ¾ percent

OTTAWA – The Bank of Canada today maintained its target for the overnight rate at 1 ¾ percent. The Bank Rate is correspondingly 2 percent and the deposit rate is 1 ½ percent.

The Bank's October projection for global economic growth appears to be intact. There is nascent evidence that the global economy is stabilizing, with growth still expected to edge higher over the next couple of years. Financial markets have been supported by central bank actions and waning recession concerns, while being buffeted by news on the trade front. Indeed, ongoing trade conflicts and related uncertainty are still weighing on global economic activity, and remain the biggest source of risk to the outlook. In this context, commodity prices and the Canadian dollar have remained relatively stable.

Growth in Canada slowed in the third quarter of 2019 to 1.3 percent, as expected. Consumer spending expanded moderately, underpinned by stronger wage growth. Housing investment was also a source of strength, supported by population growth and low mortgage rates. The Bank continues to monitor the evolution of financial vulnerabilities related to the household sector. As expected, exports contracted, driven by non-energy commodities. However, investment spending unexpectedly showed strong growth, notably in transportation equipment and engineering projects. The Bank will be assessing the extent to which this points to renewed momentum in investment.

CPI inflation in Canada remains at target, and measures of core inflation are around 2 percent, consistent with an economy operating near capacity. Inflation will increase temporarily in the coming months due to year-over-year movements in gasoline prices. The Bank continues to expect inflation to track close to the 2 percent target over the next two years.

Based on developments since October, Governing Council judges it appropriate to maintain the current level of the overnight rate target. Future interest rate decisions will be guided by the Bank's continuing assessment of the adverse impact of trade conflicts against the sources of resilience in the Canadian economy – notably consumer spending and housing activity. Fiscal policy developments will also figure into the Bank's updated outlook in January.

Information note:

The next scheduled date for announcing the overnight rate target is January 22, 2020. 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.