



## PRESS RELEASE



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### **Bank of Canada keeps overnight rate target at 3 per cent**

**OTTAWA, Ontario, June 10, 2008** — The Bank of Canada today announced that it is maintaining its target for the overnight rate at 3 per cent. The operating band for the overnight rate is unchanged, and the Bank Rate remains at 3 1/4 per cent.

Since the April *Monetary Policy Report (MPR)*, economic developments have been broadly in line with expectations. However, the balance of risks to the Bank's April projection for inflation in Canada has shifted slightly to the upside. Although the composition of U.S. growth has not been favourable for demand for Canadian goods and services, overall, global growth has been stronger and commodity prices have been sharply higher than expected. At the same time, many of the downside risks to inflation identified in the April *MPR* have eased, while the evolution of credit conditions has been in line with expectations. The risk remains that potential growth will be weaker than assumed.

With the decline in first-quarter GDP, the Canadian economy is judged to have moved into excess supply, which is expected to increase this year. Consistent with the April *MPR*, the Bank continues to project that economic growth will pick up this year and accelerate in 2009, owing in part to a firming of U.S. demand and accommodative monetary policy in Canada.

If current levels of energy prices persist, total CPI inflation will rise above 3 per cent later this year. However, with the Canadian economy operating in excess supply, core inflation is expected to remain below 2 per cent through 2009. Both total and core inflation should converge on 2 per cent in 2010 as the economy returns to balance.

Against this backdrop, the Bank now judges that the current stance of monetary policy is appropriately accommodative to bring aggregate demand and supply into balance and to achieve the 2 per cent inflation target. There continue to be important downside and upside risks to inflation in Canada, which the Bank will monitor closely.

#### **Information note:**

The Bank of Canada's next scheduled date for announcing the overnight rate target is 15 July 2008. The Bank will publish an updated projection for the economy and inflation, and its assessment of the risks, in the *Monetary Policy Report Update* on 17 July 2008.