



BANK OF CANADA

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Substantial Monetary Ease Now In Place

OTTAWA – The Bank of Canada today reduced the Bank Rate by 1/4 of a percentage point to 4 1/4 per cent. The operating band for the overnight rate has been lowered by a similar amount to 3 3/4 - 4 1/4 per cent.

The timing of this action was influenced by the recent favourable tone in financial markets. Domestic money market interest rates have declined, and Canada-U.S. spreads between medium- and long-term bond yields have narrowed.

This is the third reduction in the Bank Rate over the last five weeks, and it reflects the same economic considerations as on the two previous occasions. The likely future pace of economic expansion and its impact on the trend of inflation suggest that an easing in monetary conditions to this extent would be consistent with the Bank's inflation-control target range of 1 to 3 per cent.

The cumulative monetary ease now in place is substantial and can be expected to have a positive impact on the economy over the next year or so.