

# Bank of Canada Rate Announcement

The Bank of Canada cut its benchmark interest rate by another 50 basis points (bps) to 0.25 per cent in response to the negative economic impact of the coronavirus and the collapse in oil prices. This brings the overnight rate to the zero lower bound and to its lowest level since the 2008-09 financial crisis. The Bank has cut rates three times for a total of 150 bps since the COVID-19 outbreak began.

The Bank also launched a quantitative easing (QE) program, which will see the Bank buying Government of Canada securities in the secondary market. The Bank will purchase a minimum of \$5 billion per week, across the yield curve. The Bank may increase these purchases if conditions warrant and will continue until the economic recovery is well underway.

Another program initiated is the Commercial Paper Purchase Program which is aimed at alleviating strains in short-term funding markets and supporting funding for businesses.

Today's rate cut was the second unscheduled inter-meeting rate action taken by the Bank in less than one month and follows similar actions by other central banks, including the U.S. Federal Reserve. It highlights the gravity of the economic situation caused by these shock events. A severe economic recession globally and in Canada is underway.

With the policy rate at the zero lower bound, the next rate move would be to negative interest rates. This would occur should the economic recession or weak recovery drag out into 2022, or beyond, and an expanded QE did not help. It is a last resort move by a central bank.

The Bank will be releasing a new set of economic forecasts at its next meeting.

The next rate announcement is April 15, 2020.

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