

# Bank of Canada Rate Announcement

There was no change in the Bank of Canada's monetary stance nor was there a change in its commitment to provide monetary stimulus to the economy as long as necessary. The Bank maintained its overnight target rate at 0.25 per cent, stating that its quantitative easing (QE) program will continue by purchasing at least \$5 billion per week of Government of Canada bonds.

The Bank's assessment of Canada's economy has a bounce-back in the third quarter led by household spending and housing activity due to a release in pent-up demand. Employment has rebounded but unemployment remains high. Exports are rising from very low levels and business confidence remains subdued. Low inflation is one consequence of these economic circumstances.

No official economic forecast was presented on this occasion. The Bank expects the economy to struggle in the midst of uncertainty and structural challenges. The pace of the recovery is very dependent on the path of the COVID-19 pandemic and the measures required to contain its spread. The Bank expects the strong reopening phase, mainly the third quarter rebound, to be followed by a long and uneven recuperation phase – to use a medical term. This assessment implies an economy with considerable slack relative to its potential, resulting in low inflation and higher than normal unemployment.

Consequently, the Bank reiterated its commitment to hold the policy interest rate at 0.25 per cent until economic slack is absorbed so that its inflation target is achieved. Its QE program keeping interest rates low across the yield curve will continue until the recovery is well underway. The Bank of Canada is providing 'extraordinary monetary policy support' and could do more, such as average inflation targeting or negative rates, if necessary.

The Bank's current policy rate is expected to remain in place into 2022, and possibly beyond, depending on the course of the pandemic.

The next rate announcement is October 28, 2020.

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