The Bank of Canada Lowers Its Key Interest Rates Once Again…
a Further Reduction is Expected in April

- The overnight rate and the discount rate go down by 25 basis points each—to 2.25% and 2.5% respectively. This is the second reduction since the beginning of the year and the fourth since July 2003
- As a result, the preferred rate of Caisse centrale Desjardins and Canadian banks will shrink from 4.25% to 4.00%

1) Recent developments in economic conditions are consistent with the economic outlook that the Bank of Canada presented in its last Monetary Policy Report.
2) Even though domestic demand has been a little weaker than forecast for the fourth quarter of 2003, slightly stronger growth in external demand means that the Bank of Canada's economic outlook remains essentially unchanged.
3) Our central bank will closely monitor how the Canadian economy reacts to changing conditions on the international level, particularly changes in exchange rates.

Excerpts from the BoC Press Release:

[...] Information received since the Bank's last interest rate announcement has been broadly consistent with the economic outlook presented in the January Monetary Policy Report Update. As expected, core and total CPI inflation in January moved significantly below the 2 per cent inflation target. While external demand has been slightly stronger and final domestic demand in Canada slightly weaker than expected, the Bank's outlook remains, on balance, unchanged.

In this context, today's decision to provide some additional monetary stimulus was taken to support aggregate demand and to return inflation to the target by the end of 2005. The Bank will monitor closely the evolution of external and domestic demand and the pressures on inflation, as the economy adjusts to global changes. [...]