

Bank of Canada raises overnight rate target by 1/4 percentage point to 4 1/4 per cent

OTTAWA—The Bank of Canada today announced that it is raising its target for the overnight rate by one-quarter of one percentage point to 4 1/4 per cent. The operating band for the overnight rate is correspondingly increased, and the Bank Rate is now 4 1/2 per cent.

The strong momentum in the global and Canadian economies has continued, although there has recently been an increased degree of volatility in commodity markets, foreign exchange markets, and financial markets more generally. Recent Canadian data confirm that domestic demand remains solid, and that both CPI and core inflation are evolving largely in line with the Bank's expectations.

With today's increase, the target for the overnight rate is now at a level that is expected to keep the Canadian economy on the base-case path projected in the April *Monetary Policy Report (MPR)* and to return inflation to the 2 per cent target. The Bank will monitor global and domestic economic and financial developments, including adjustments in the Canadian economy, relative to the projection set out in the *MPR*. The Bank continues to assess the risks to this projection to be as presented in the *MPR*.

Information note:

The Bank of Canada's next scheduled date for announcing the overnight rate target is 11 July 2006.

The *Monetary Policy Report Update* will be published on 13 July 2006.