

Economic Commentary

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Bank of Canada Expected to Leave Interest Rate Unchanged

This morning the Policy Committee of the Bank of Canada in its last regularly scheduled meeting for the year will announce its decision about the target rate for the overnight financing rate. All thirteen primary dealers of government debt expect no change in rates for now.

Given the Fed's half point cut in November and the probable war with Iraq, it does not make any sense for the Bank of Canada to raise rates now. Add to this a third reason: growth in Canada's economy slowed to 3.1% rate in the third quarter. A shift to a more modest growth rate makes it less necessary for the central bank to raise rates in the near future.

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