



BANK OF CANADA  
BANQUE DU CANADA

JANUARY 21, 2020

# The Bank of Canada

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**DON COLETTI**

ADVISOR TO THE GOVERNOR

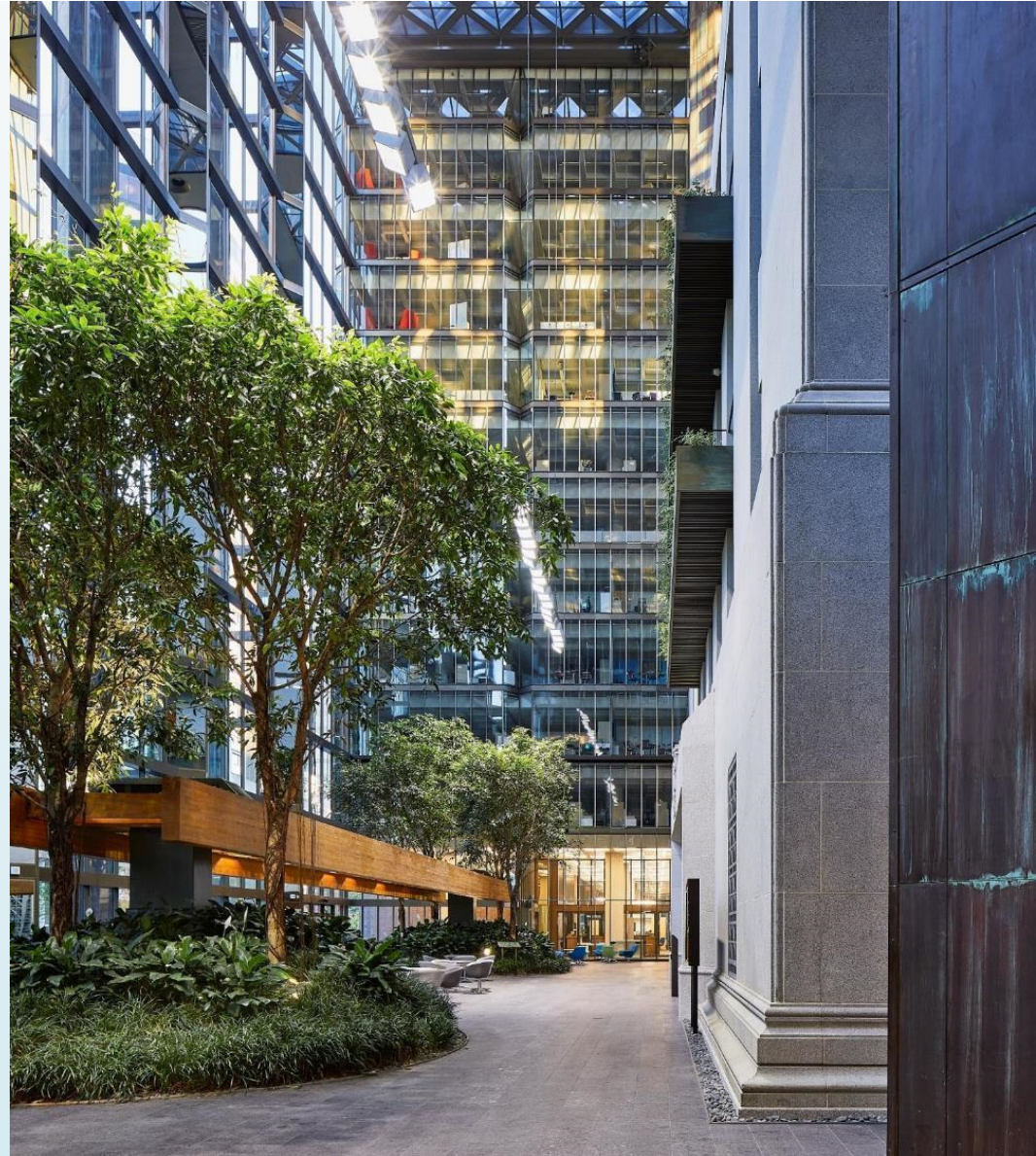


A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are arranged in a way that they appear to converge towards the top of the frame. The sky is a clear, bright blue with scattered white clouds. A semi-transparent dark grey horizontal band is overlaid across the middle of the image, containing the word "WELCOME" in white, bold, sans-serif capital letters.

**WELCOME**

# About us

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# The Bank of Canada is Canada's central bank

*Bank of Canada Act (1934): "Promote the economic and financial welfare of Canada"*

**Conducting**  
monetary  
policy

**Promoting**  
a stable and  
efficient  
financial  
system

**Supplying**  
Canada's bank  
notes

**Providing**  
banking  
services to  
the federal  
government  
and key  
financial  
system players

# Who are we?

## Crown Corporation

- › Separate from the political process
- › Operational independence to conduct monetary policy

## Management

- › **Governing Council:** Governor, Senior Deputy Governor, four Deputy Governors
- › **Board of Directors:** Governor, SDG, 12 Directors, DM-FIN

**1700** employees

Bank of Canada **Museum**

# Financial policymakers in Canada

## **Monetary policy**

Bank of Canada

*Inflation targeting*

## **Fiscal policy**

Government of  
Canada

*Government  
spending*

*Taxation*

## **Micro/Macro Prudential policy**

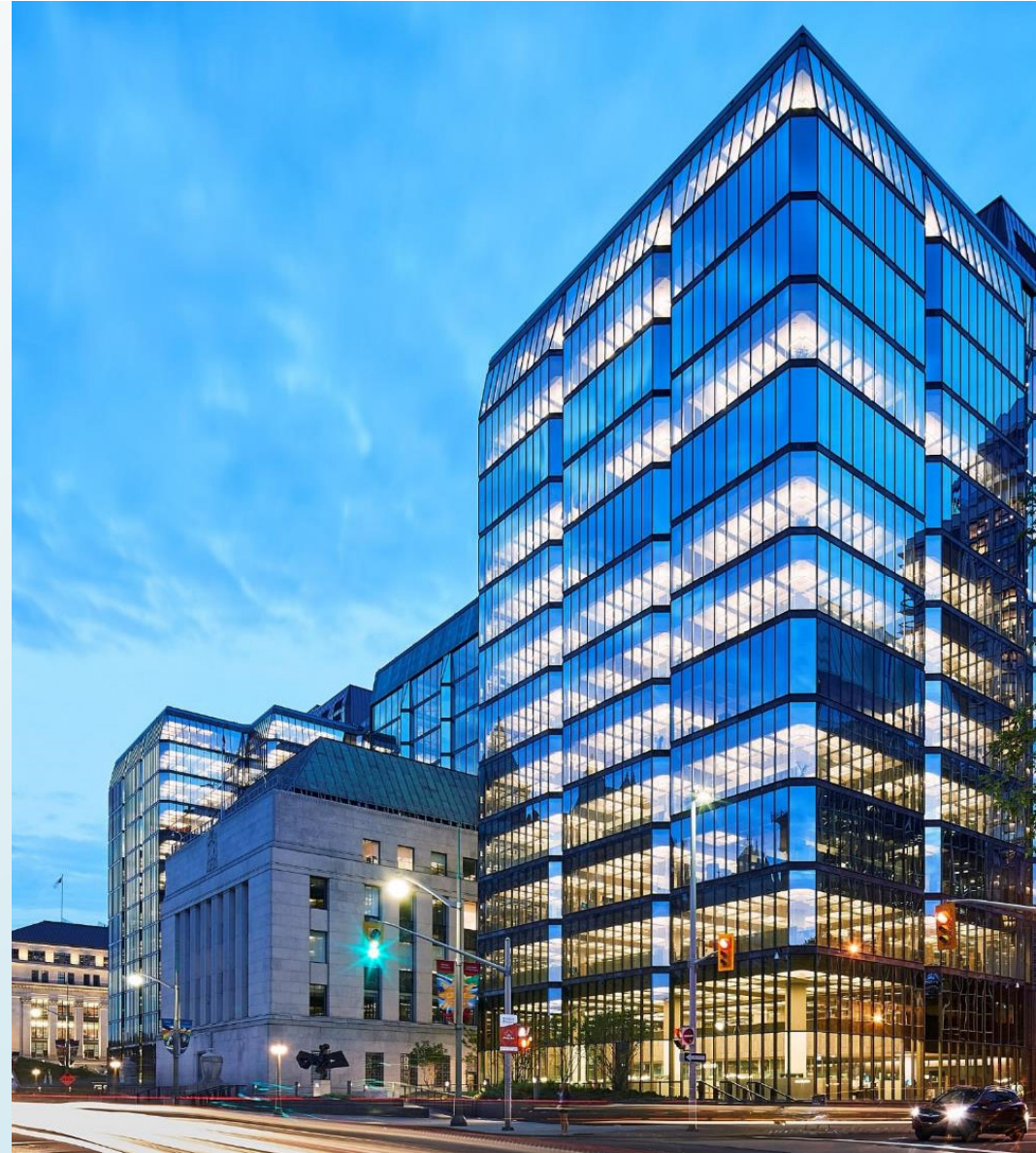
Ex: OSFI

*Supervise banks*

*B-20 mortgage  
guidelines*

# Monetary policy: Controlling inflation

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# Inflation targeting framework

**Inflation targeting** introduced in Canada in 1991 by the Canadian government and the Bank of Canada

Inflation is measured by the year-over-year percentage change in the **Consumer Price Index**

The target since 1995 has been the **2% mid-point** of a 1% to 3% range

Framework is renewed every **5 years**



# Why target inflation?

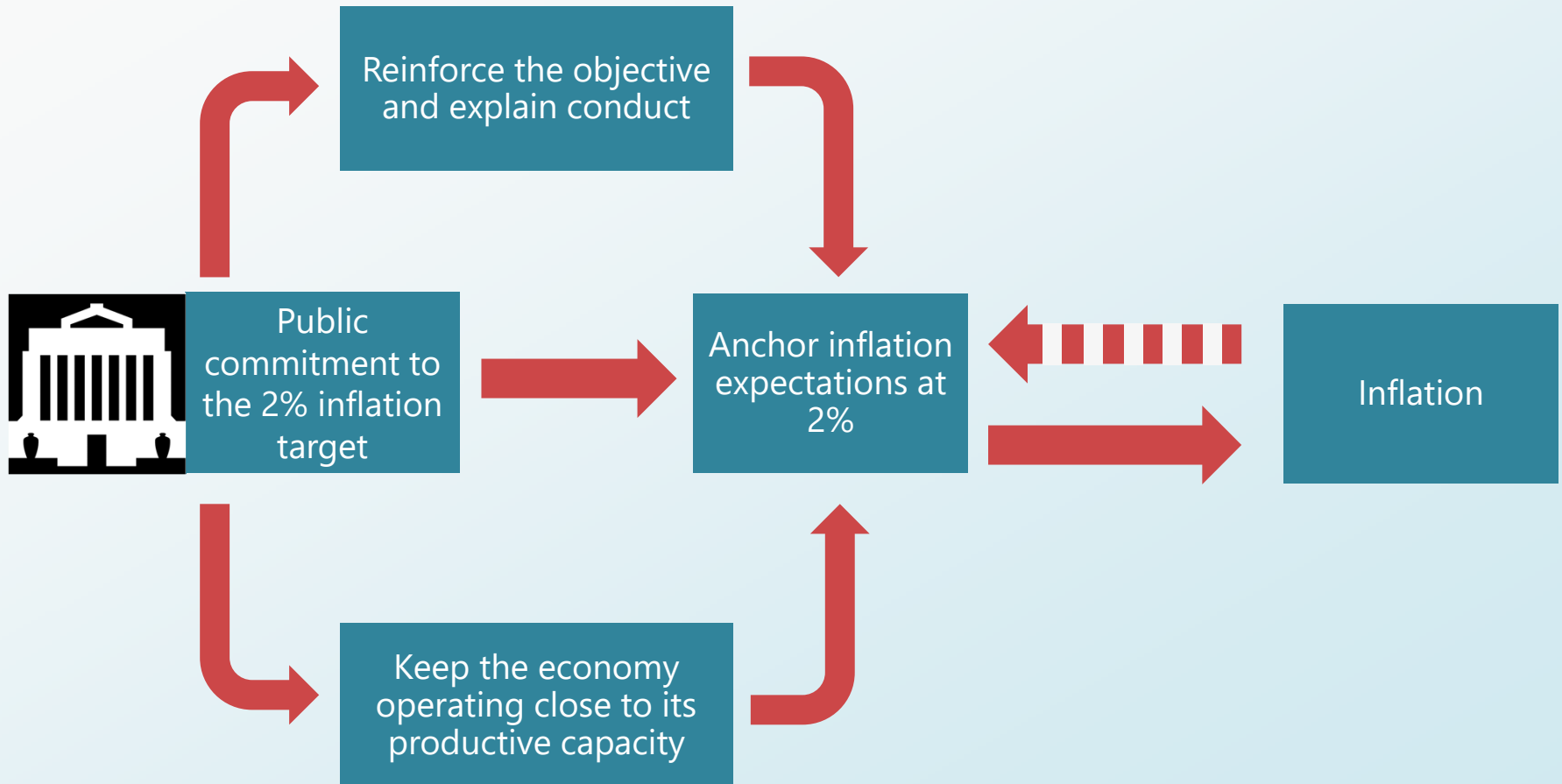
The Bank's job is keep inflation **low, stable** and **predictable**

- › High and volatile inflation has costs
- › Helps to stabilize economic activity – reduces booms and busts
- › Promotes maximum sustainable employment

# How inflation targeting works



# How inflation targeting works



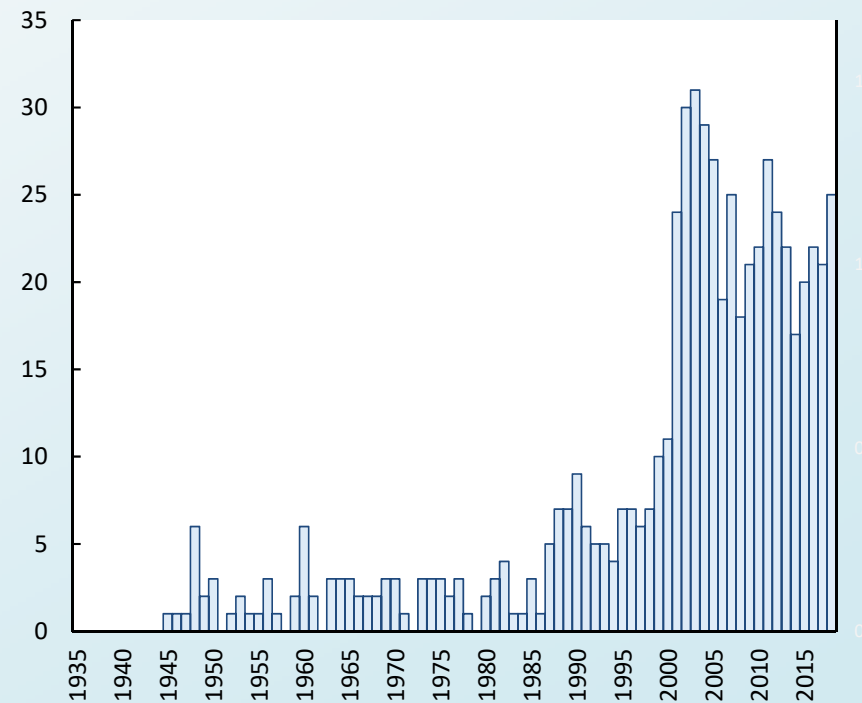
# Increased communications

The frequency of Bank communications rose sharply under inflation targeting

Eight times a year: decision to raise, lower or maintain the policy interest rate

- › Four times: Monetary Policy Report
- › Two times: Bank officials appear before House and Senate Committees

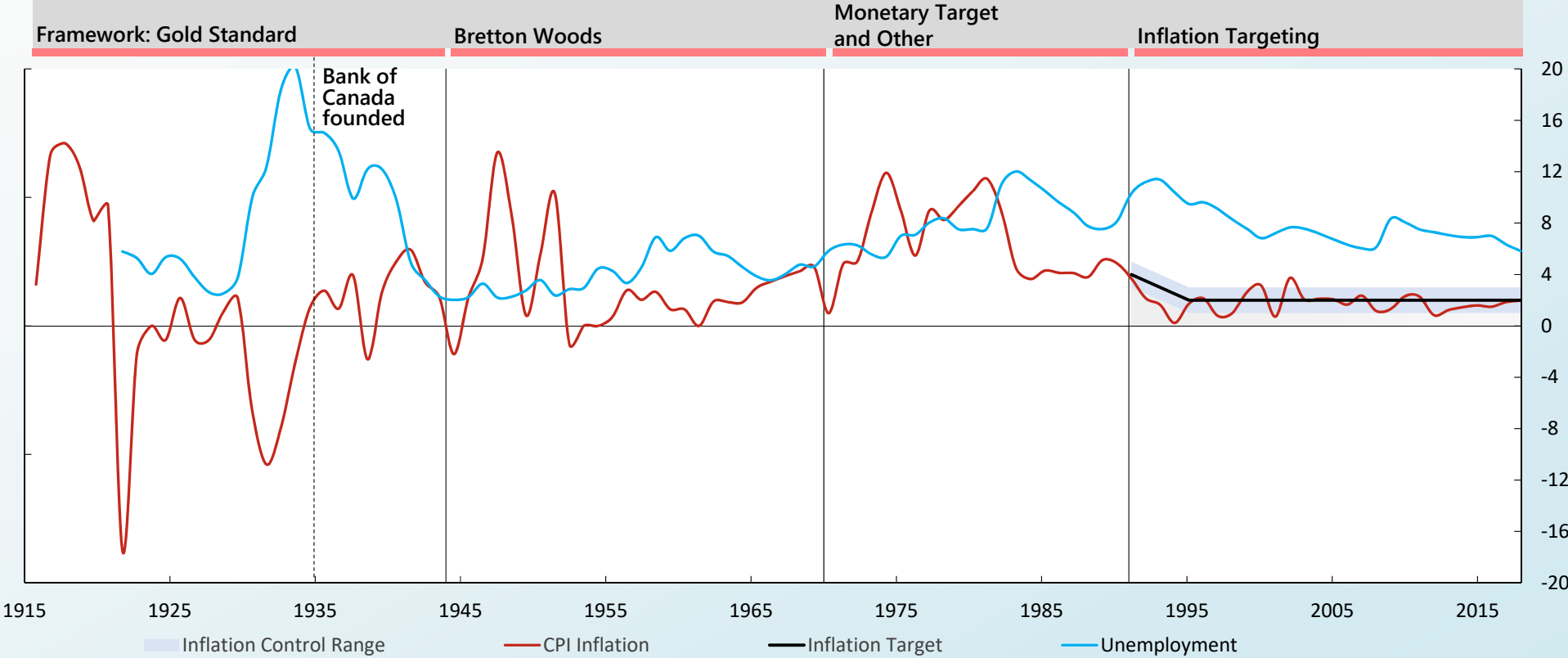
Public speeches per year, 1935 to 2018



Source: Bank of Canada

Last Observation:

# Inflation targeting has been remarkably successful



Sources: Statistics Canada and Bank of Canada (year-over-year percentage change, annual data)

Last observation: Q4 2018



# More about us

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# Financial stability

Promotes **safe, stable, efficient** financial system

Lender of last resort

Overseer of payment, clearing and settlement systems

Watches for, analyzes **vulnerabilities**

- › Financial System Review 2019: high household debt, housing market imbalances

# Funds management

## **Bank** for the federal government

- › Manages wholesale debt program to raise stable and low-cost funding to meet the financial needs of the government

Manages **government reserve** of US dollars, Euros, British pounds and Japanese yen



# Ensuring safe, secure currency

Designs, develops, distributes **bank notes**

- › Long-lasting and durable
- › Anti-counterfeiting measures

Future of money



# 2018 Bank Note of the Year

*~International Bank Note Society*



# Find out more

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[www.bankofcanada.ca](http://www.bankofcanada.ca)

[www.bankofcanadamuseum.ca](http://www.bankofcanadamuseum.ca)

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**THANK YOU**