Homework # 5

Business

19 March Homework # 5: The press release of Bank of Canada which released on 21 January this year declared a decline in its overnight rate in correspondence to a sharp decline in global oil prices. While some oil-importing countries are expected to reap benefits from lowering oil prices, truth is that this drop in prices will increase differences among economies instead of promoting economic growth globally. Oil prices are currently lower, but they are also expected to rise in coming future. While the oil price shock is in action, Canada is also going through a phase of major economic growth. From better business confidence to improved exports to more foreign demand to stronger employment sector, Canada is enjoying a healthy phase of growth. However, the overall outlook is rather ambiguous and it is not yet fully known how the drop in oil prices is bound to affect Canada in future. The press release also reveals that an uncertain outlook is the result of lower oil prices. In order to handle the negative impacts of lower oil prices, the Bank expects to make the Canadian economy stronger than ever before. This will be accomplished by increasing real GDP growth. The Bank will also adopt such a monetary policy which will help in minimizing risks caused by the oil price shock and returning the Canadian economy to full capacity. The current target for the overnight rate is 0. 75% as per the press release for 21 January 2015. The bank rate is of the Bank of Canada is 1 per cent and the deposit rate is 1/2 per cent.