Bank of Canada

Monetary Policy is the Bank of Canada’s way of keeping inflation low, predictable, stable (1-3%)

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| Economy is stagnant-slow/no growth-high unemployment-Inflation lower end of 1-3%Lower the bank rate to give the economy a boost (heat it up)Encourages consumers and businesses to borrow money for big ticket itemsEx: houses, cars, loansBusinesses will expand. This injects money into the economy with the hopes of:-creating economic growth-higher employment-upward pressure on inflation | Economy is booming, and growing-Low unemployment-Inflation high end of 1-3%Raise the bank rate to try to cool the economy downEncourages consumers and businesses to save and not borrow moneyEx: won’t buy house, cars, loansThis reduces the amount of money in circulation with the hopes of:-Slow growth-Reduce pressure on wages from full employment-Downward pressure on inflation |