Bank of Canada

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

|  |  |
| --- | --- |
| 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 items  Ex: houses, cars, loans  Businesses 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 down  Encourages consumers and businesses to save and not borrow money  Ex: won’t buy house, cars, loans  This reduces the amount of money in circulation with the hopes of:  -Slow growth  -Reduce pressure on wages from full employment  -Downward pressure on inflation |