

Bank of Canada sees return to economic growth later in 2009

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Bank of Canada governor Mark Carney speaks at an Ottawa news conference Thursday. (CBC)



The Bank of Canada is projecting... a rebound to positive activity by the third quarter of the year, when it forecasts two per cent growth and 3.5 per cent expansion in the last three months of the year.

The bank said the return of normal financial conditions, coupled with the stimulus coming from monetary and fiscal policies, should boost the growth of consumer spending in 2010, leading to growth for the year of 3.8 per cent. The recent depreciation in the Canadian dollar will also lend support to a recovery, it added.

"Excess supply will be gradually reduced, with the economy projected to return to balance by mid-2011," the bank said. "The projected return to balance of the Canadian economy is faster than either of the recoveries following the 1981-82 and 1990-92 recessions."

Bank of Canada governor Mark Carney said the recovery projected by the bank is milder than from an average recession due to "muted" recoveries expected in other economies around the world. "We are comfortable with our forecast," he told reporters at a news conference in Ottawa.

The latest outlook offered by the central bank marked a significant downgrade from the forecast it presented in October, when the bank projected growth of 0.6 per cent in 2009, and 3.4 per cent in 2010.

Two days earlier, the bank cut a key lending rate by half a percentage point to one per cent as it sought to boost the economy. Since it began its latest round of monetary policy easing in December 2007, the Bank of Canada has cut 3.5 percentage points from the key lending rate.