Carney keeps key interest rate at 1%

Bank says Canada will still see moderate growth while global prospects weaken

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For the 15th consecutive policy meeting, the Bank of Canada has decided to neither raise nor lower its benchmark interest rate.

Canada's central bank kept its target for the overnight rate steady at one per cent Tuesday. The last time the bank took action was in September 2010, when it moved the rate from 0.75 to one per cent.

MAP Interest rates around the globe

The central bank's rate is the one upon which retail banks base their interest rates for loans and investments.

"Global growth prospects have weakened," the bank said in a statement announcing its decision. While economic malaise elsewhere in the global economy is expected to be a drag on growth, domestic factors should prop up moderate growth in Canada's economy, the bank said.

The bank says it expects the Canadian economy will grow by 2.1 per cent in 2012, 2.3 per cent in 2013 and 2.5 per cent in 2014. Those projections are slightly more pessimistic compared with the numbers the bank forecast at its latest rate decision.

The bank cited consumption and business investment to be the primary drivers of growth, while lower commodity prices, reduced government spending and a persistently high Canadian dollar will act as headwinds.

"To the extent that the economic expansion continues and the current excess supply in the economy is gradually absorbed, some modest withdrawal of the present considerable monetary policy stimulus may become appropriate," the statement read.

Similar language last meeting

That's the bank's way of hinting it's leaning toward raising the rate at some point in the future, although it's in no rush to do so. The bank used the exact same phrase in its statement accompanying its decision six weeks ago to stand pat on rates.

"The bank has absolutely no intention of following the easing lead of many other central banks, but at the same time they are highly unlikely to act on that bias anytime soon," BMO economist Doug Porter said in a note following the announcement. "After all, in the current global economic climate, restraint is the better part of valour."

The bank meets every six weeks to decide where to set its benchmark interest rate based on market conditions. The next meeting is scheduled for Sept. 5.

The Canadian dollar ticked slightly higher on the news, up a little over a tenth of a cent to 98.66 cents US. A higher dollar is an indication that investors expect a rate hike at some point, since that would make Canada a better place to invest and save.

Although he said he found few surprises in the bank's decision, Scotiabank economist Derek Holt said the statement was notable for its omission of any mention of the government's recent decision to intervene in the housing market and tighten mortgage requirements.

"Indeed, the sole housing comment offers thin gruel and is confined to simply stating: 'Housing activity is expected to slow from record levels'," Holt said.