



Opening remarks by the Governor
at a news conference following the publication
of the Bank of Canada's Annual Report for 1994

21 March 1995

Before responding to your questions, I would just like to say a few words about this latest annual report from the Bank of Canada.

Those of you who remember something of our annual reports of previous years may have noticed quite a shift of emphasis.

In addition to presenting the financial accounts of the Bank, as required in the Bank of Canada Act, the report used to contain extensive general observations by the Governor on the economy and monetary policy as well as a detailed review of the economic developments during the year.

Our report for 1994 puts more focus on all the functions of the Bank, its corporate management and how the Bank has fulfilled those responsibilities, and the detailed economic commentary has been reduced. We have not made these changes because we regard the Bank's view on the Canadian economy as less important than in previous years. Rather, we wish to provide more information on all of the Bank's responsibilities, and we think that we can provide a better commentary to those interested in a more technical account of economic developments and monetary policy operations in a separate publication.

Thus, the Bank will be introducing, in early May, a new report on monetary policy which will be published twice a year, in the spring and in the fall. The new report will review inflation performance in light of the Bank's targets, and it will examine how current economic conditions in Canada are likely to affect future inflation. When our first monetary report is made public, my colleagues and I will again be available to respond to your questions.

Today we are here to talk about our annual report for 1994, and I would like to draw your attention to a few points that I think deserve to be highlighted.

It seems to me that a most significant achievement in 1994 was keeping inflation low for a third year in a row, following 20 years of high and unpredictable rates of inflation. Low inflation has begun to pay dividends and should produce further gains in the years ahead. A low inflation economy will be more cost-conscious, more productive and more competitive, producing more growth and more jobs.

However, despite its good performance in 1994, the Canadian economy had to contend with a sharp increase in interest rates and a weak Canadian dollar during the year. As I have tried to explain, these developments have reflected both the general rise of interest rates around the world as well as heightened concerns about budgetary deficits and the rising levels of public debt in Canada. Fortunately, recent budgets, both federal and provincial, have taken a major step in putting government financial positions on a more sustainable track.

I would also like to mention some of the Bank's other responsibilities.

Working in cooperation with the financial sector and other public agencies, we made good progress on two projects designed to improve the reliability and security of clearing and settlement systems. Work has been proceeding on a system to handle large-value Canadian dollar payments electronically. Also, federal government marketable bonds were put on an automated clearing and settlement system in mid-1994, and progress was made in preparing this system to handle treasury bills.

Concerning the distribution of bank notes, a pilot project is under way in St. John's which will reduce the volume of notes transported to and from Newfoundland, and thus lower costs. If successful and more widely implemented, this initiative could have a significant impact on the overall efficiency of bank note distribution across the country.

While we first issued the new \$20 note with our anti-counterfeiting device in 1993, this past year was its first year of full production. All our high denomination notes now have this counterfeiting protection.

A major multi-year project is currently under way to renew the system for handling Canada Savings Bonds and possible new retail debt instruments. And we took a number of initiatives to improve service to CSB holders during the year.

The Bank's expenditures have remained unchanged on average since 1990. Although we have increased spending to improve the security of our bank notes and to put in place our new high-efficiency note processing operations in Ontario and Quebec, these increases were offset by improvements in the efficiency of our general operations and by salary restraint.