



Statement from the Governor



Gordon Thiessen

The Bank of Canada has been reviewing its operations during the past few years, like many other public institutions, and has been taking steps to fulfil its responsibilities more effectively and at a lower cost.

Part of that process was to set out a clear statement of objectives—a set of commitments to Canadians, shown on the opposite page.

As Canada's monetary authority, our primary commitment is to contribute to the economic well-being of Canadians by ensuring that money can do its job properly.

Money is important in a sophisticated economy. It is the standard in which goods and services are priced and the means by which we buy and sell them. It allows us to accumulate savings over time and to lend those savings to someone else. Money enables us to make contracts in many areas—undertaking to do something now for payment in the future.

If money is to perform these functions satisfactorily, and thereby encourage an economic climate favourable to sustained growth and job creation, its value must be stable. Our commitment is to fostering confidence in the value of money by resisting general price rises; in other words, we want to prevent the value of money from being undermined by inflation.

The various instruments used as money and the institutions and markets that assist Canadians in borrowing, saving, and investing are all part of Canada's financial system. The Bank is committed to promoting the safety and soundness of the financial system so that Canadians can be confident about using it.

The form of money used most frequently to carry out small, daily transactions is an exclusive Bank of Canada product: bank notes. We are committed to supplying bank notes that Canadians can use readily without concern about counterfeiting.

The Bank also provides certain financial services to the federal government, to financial institutions, and to the general public. Like any other good service-provider, the Bank is committed to furnishing these services efficiently and in a manner that is responsive to the needs of our clients.

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As a public institution, it is important that the Bank provide information on the measures taken to fulfil the commitments we have made and on the results we have achieved. Important steps were taken in 1996 to make our actions more transparent and thus make the Bank more accountable. Each change in the Bank Rate is now explained in a press release. The Bank has also expanded its regional outreach program to bring senior officers and members of the Bank’s Board of Directors into contact with Canadians across the country.

The Economy: Review and Outlook

The Canadian economy continues to undergo a major transformation. That transformation has been a response to the rapid evolution of technology in recent years, increasingly open and competitive world markets, the decline of inflation in Canada from high levels, and the need to reverse an unsustainable trend of debt accumulation in this country, particularly by the federal and provincial governments.

Profound changes were required, and a great deal has been accomplished over the last few years. Canada now has a much more productive and competitive economy. Inflation is low and the country is on a path to a less vulnerable debt position.

While this transformation was absolutely necessary, it has disrupted the lives of Canadians and has left many anxious about their futures. Corporate and public sector cutbacks were bound to lead to some temporary increases in overall unemployment. However, the expected recovery in employment has proceeded more slowly than had been hoped. The magnitude of the adjustments taking place in Canada has diminished consumer confidence and thus has held back the expansion in economic activity.

These difficult circumstances have led to some rather gloomy views about Canada’s economic future. In fact, there are grounds for a good deal of optimism. The major changes that our economy and finances have undergone have placed Canada in a much sounder position than I have seen for some time. I include in these improvements the Bank’s success in holding inflation within our target range. Our commitment to keeping inflation low, together with this improved economic and financial situation, has permitted a marked decline in interest rates over the past year. Not only are most interest rates at their lowest levels since the 1960s, but they are also below U.S. rates by the widest margins seen since the early 1970s.

Because of these lower rates, monetary conditions in Canada are now much easier than they were a year ago. This has recently begun to counteract the restraint on spending in the economy coming from private and public sector restructuring and the associated decline in

consumer confidence. Moreover, as monetary easing takes time to have its full impact on the economy, we should expect to see increasing signs of its effects through 1997. With the positive underlying trends in our economy, it is only a matter of time before we see a sustained improvement in economic performance.

I do not mean to imply that all the economic adjustments I have just described are behind us. Clearly they are not. But I believe we are at a stage where the positive impact of this transformation is being felt and will outweigh the disruptions and the uncertainty.

There is no doubt in my mind that the single most important contribution that the Bank of Canada can make to sustain these positive trends is our commitment to fostering confidence in the value of money. That way, money will be a source of stability and certainty for Canadians in their everyday transactions and in their planning for the future.

Managing the Bank

I would like to make particular mention here of the results of the activity review that the Bank has carried out over the past two years.

The review covered all areas of the Bank but focussed particularly on those core activities that had not been thoroughly assessed for some time. The review led to a number of changes: a greater concentration on basic central banking business, the shedding of some peripheral activities, a stronger focus on client requirements, and a general improvement in the overall efficiency and effectiveness of the Bank's operations. When all the changes are fully in place in 1998, the activity review is expected to have resulted in savings amounting to 20 per cent of operating expenses.

This major review of the Bank's core activities is now largely complete; however, all of the Bank's activities will be regularly re-examined on at least a five-year cycle.

One of the main results of the review is a change in the roles and responsibilities of our staff. More emphasis is being placed on delegation of responsibilities. This has required a new approach to management and a much greater reliance on the knowledge and analytical abilities of our staff. Many employees have been working hard to improve their existing skills and to acquire new ones.

In responding to the challenge of change, the Bank's staff have shown competence, creativity, and commitment in the face of difficult circumstances. I would like to thank them for that contribution.

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Keeping in Touch with Canadians

The Bank of Canada is a national institution, and its business is national in scope.



PHOTO: TREVOR SUTTON, LEADER-POST, REGINA

Governor Thiessen with students in Fort Qu'Appelle, Saskatchewan

In the conduct of monetary policy, this means that the Bank needs to be well informed about the regional developments that make up the national economic picture. For many years, the Bank has had representatives in Montreal, Toronto, and Vancouver who have been engaged in economic and financial market liaison. In recent years, the activities of these representatives have been increasingly supplemented by regular visits across the country from the members of the Bank's Governing Council and from head office staff participating in our regular industrial and provincial government liaison program.

To enhance the Bank's regional economic liaison and analysis, new representative offices are being established in Calgary and Halifax, and our regional staff is being expanded in Montreal, Toronto, and Vancouver. These regional representatives will work closely with the members of the Bank's Board of Directors, who come from every province. Our aim is to ensure that the Bank is well informed about economic developments across Canada and that Canadians can readily obtain information and have their views on monetary policy heard.

Staff in these regional offices will also be actively engaged in communicating other aspects of the Bank's activities, including a program to increase the awareness among Canadians of the anti-counterfeiting features of bank notes. At the same time, steps are being taken in each region to deliver the Bank's bank note, bond, and banking services (activities profoundly affected by new technologies) more cost-effectively by contracting out some services and consolidating others. This will involve closing down some of our traditional operations. Our new regional offices will oversee and monitor ongoing responsibilities for these activities in co-operation with our private sector partners.

These regional offices will improve communication between the Bank and Canadians across the country—another step in our ongoing effort to make the Bank more open and accessible.

