Statistics Canada says wholesale sales down 0.6 per cent at $80.2B in July

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ver the years, the Bank of Canada has adjusted the way it sets its key interest rate. Following is a brief history of the key rate from the Bank’s founding in 1935 until the present.

March 1935 to November 1956

The original key interest rate was the Bank Rate. This is the minimum rate of interest that the Bank of Canada charges on one-day loans to financial institutions. Between March 1935 and November 1956, the Bank Rate was fixed, set directly by the Bank.

November 1956 to June 1982

The Bank Rate was a floating rate, set at 25 basis points above the average yield on 3-month treasury bills at the federal government’s weekly auction.

June 1982 to March 1989

The Bank Rate was again fixed, set at 25 basis points above the average yield on 3-month treasury bills at the federal government’s weekly auction.

March 1989 to February 1996

The Bank Rate was returned to a floating rate, set at 25 basis points above the average yield on 3-month treasury bills at the federal government’s weekly auction.

February 1996 to present

Since February 1996, the key interest rate of the Bank of Canada target overnight rate. Since the Bank of Canada introduced the target overnight rate, or the Policy Rate, the Bank’s influence on the overnight rate is more direct than it was when it fixed the Bank Rate. The overnight rate is more directly linked to interest rates of financial institutions.”

The Bank of Canada and the overnight rate are usually followed by similar changes in the Prime Rate.

Prime Rate is more closely related to the Bank of Canada’s target overnight rate. Since the late 1990s, the Prime Rate has stayed within a 50 basis point range around 20 basis points 2 percent points above the Bank of Canada’s target overnight rate. Current Prime Rate at 4.5% from all major banks.

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Craig e. Elder is a Registered Estate Planner with an extensive background in finding solutions to navigate the ever-changing landscape of retirement. His approach is to simplify, not complicate, as he focuses on what matters most: your wealth, income and legacy. His passion and dedication to helping others accomplish their goals is evident in his work and the lives he has helped shape and influence.

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