

Bank effectively telling the market to keep pushing on an open door to a weaker CAD:

1. "The Canadian dollar has recently fallen to around 91 cents U.S., compared with the 97 cents U.S. assumed in the October Report (Chart 8). This depreciation likely reflects the improved growth prospects in the United States, as well as reduced safe-haven effects that had pushed the Canadian dollar higher in the aftermath of the global financial crisis. By convention, the Canadian dollar is assumed to remain at or near its current level over the projection horizon. Also "despite depreciating in recent months, the Canadian dollar remains strong and will continue to pose competitiveness challenges for Canada's non-commodity exports"

2. In small type also: " the Bank estimates that commodity prices account for roughly half of the appreciation of the Canadian dollar since 2002 the remainder of the appreciation is in line with the broad-based depreciation of the US dollar"

3. "Canadian firms should also be more inclined to invest, since the lower value of the Canadian dollar is boosting both activity and profitability in the export sector"

4. "The depreciation of the Canadian dollar in the past year is also expected to exert some upward pressure on inflation. The lower profile for inflation relative to October mainly reflects the Bank's assessment that the effects of heightened competition on inflation will be more widespread and persistent than previously assumed."

5. "While prospects for the global economy have improved and the Canadian dollar has depreciated in the past year, the base-case projection is conservative in assuming that only a small portion of this wedge will dissipate over the next two years. However, with the performance of exports still disappointing, there is a risk that the growth rate of exports will continue to fall below that of foreign activity in coming years. This could reflect more intense competitiveness pressures or an inability to respond rapidly to increases in demand, given the reduced production capacity in some export sectors."

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