

OCTOBER 29TH, 2025

Bank of Canada Cuts Rate to Lowest Point in Over Three Years

Why and What's Next?



As widely anticipated, on October 29th, 2025, the Bank of Canada reduced its policy interest rate by -0.25%, bringing it down to 2.25%. The lowest point in over three years.

This was the second consecutive reduction, and the ninth rate cut over the past twelve Bank of Canada meetings. This brings the policy rate down to 2.25% and the prime rate down to 4.45%.

The decision to lower the policy rate reflects four main messages according to Tiff Macklem, Governor of the Bank of Canada:

"First, US tariffs and trade uncertainty have weakened the Canadian economy..."

"Second, while this weakness is restraining price increases, the trade conflict is also adding costs for many businesses, putting upward pressure on inflation. We expect these opposing forces to roughly offset, keeping inflation close to the 2% target."

"Third, to support the economy through this period of adjustment, we have lowered our policy rate by 50 basis points over our last two meetings and by 100 basis points since the start of the year."

"And finally, the weakness we're seeing in the Canadian economy is more than a cyclical downturn. It is also a structural transition...the structural damage caused by tariffs is reducing our productive capacity and adding costs. This limits the ability of monetary policy to boost demand while maintaining low inflation." - Tiff Macklem

What's Next for the Bank of Canada?

The Bank of Canada signaled that they may have reached the bottom of the rate cutting cycle. Specifically, Tiff Macklem stated "If the economy evolves roughly in line with the outlook in our MPR (Monetary Policy Report), Governing Council sees the current policy rate at about the right level to keep inflation close to 2% while helping the economy through this period of structural adjustment."

That said, the Bank of Canada also acknowledged there "continues to be considerable uncertainty... and if the outlook changes, we are prepared to respond."

Key Links and Report Overview

While full details of the Bank of Canada's decision can be found in the links below, this report will focus on key economists' forecasts leading up to the announcement, the Bank's latest economic outlook, and the implications for current and potential mortgage holders.

- October 29th – Bank of Canada Press Release [\[Link Here\]](#)
- October 29th – Bank of Canada Opening Statement - Tiff Macklem [\[Link Here\]](#)
- October 29th – Bank of Canada Monetary Policy Report / Outlook [\[Link Here\]](#)
- Note: The next Bank of Canada meeting is December 10th, 2025



What Were the Big Bank Economists Projecting, and What Could be Next?

The Bank of Canada's decision to cut its policy rate on October 29th, was in line with recent comments from major Canadian financial institutions as outlined below.

While forecasts vary, the big 6 banks believe we are at, or vary close to, the bottom of this rate cutting cycle. While a few banks expect one final -0.25% reduction at the next Bank of Canada meeting, the majority believe the Bank of Canada is now done.

The Bank of Canada echoed this sentiment when they stated "Governing Council sees the current policy rate [2.25%] at about the right level to keep inflation close to 2%...over the projection horizon". That being said, "if the outlook changes, we [the Bank of Canada] are prepared to respond."

Big Six Banks' Comments Prior to the October 29th Announcement

CIBC Capital Markets

- *"For the Bank's interest rate decision...whether underlying inflation is really 2.5% or 3.0% shouldn't matter that much, because a sizeable output gap, as captured in an elevated 7.1% jobless rate, will put significant downward pressure on inflation ahead. That's what the Bank was counting on when it cut rates in September, and why we put good odds on a follow-up cut in October."*
 - 2025 Year-End Bank of Canada Rate Forecast = 2.25%
 - [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)
-

National Bank Financial Markets

- *"...there is a high risk that the already oversupplied economy will become even more so in the coming months. As for inflationary pressures, the BOS [Business Outlook Survey] showed no indication that businesses felt they had pricing power. For this reason, we continue to advocate for a Bank of Canada rate cut at the next meeting on October 29."*
- 2025 Year-End Bank of Canada Rate Forecast = 2.00%
- [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)

TD Economics

- *"...Taken together, the data supports expectations for another Bank of Canada cut next week, while attention increasingly shifts to fiscal policy and Carney's forthcoming budget for signs of a broader growth strategy."*
 - 2025 Year-End Bank of Canada Rate Forecast = 2.25%
 - [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)
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Scotiabank Economics:

- *"Pretty much everybody who is anybody in the forecasting community expects the BoC to cut by 25bps, bringing the overnight rate to 2.25%. Markets are priced for about an 85% probability of a cut."*
 - 2025 Year-End Bank of Canada Rate Forecast = 2.25%
 - [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)
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BMO Capital Markets:

- *"...the Bank of Canada also looks to have a rate cut teed up for October 29. The soft economy and job market will likely weigh heavier for policymakers, with an eye on risk management, than some stubbornness in inflation and a potential fiscal boost."*
 - 2025 Year-End Bank of Canada Rate Forecast = 2.00%
 - [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)
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RBC Economics:

- *"The U.S. Federal Reserve and Bank of Canada are both expected to cut policy rates on Wednesday, adding to 25 basis point reductions from each in September... Since September, data on growth and inflation have not surprised enough on the upside to derail another reduction this month."*
- 2025 Year-End Bank of Canada Rate Forecast = 2.25%
- [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)

An Updated Economic Forecast

Bank of Canada Monetary Policy Report October 2025

In addition to the interest rate decision, the Bank of Canada also published its October Monetary Policy Report (MPR), which presents their updated forecast for economic growth and inflation [[click here to access the full report](#)].

This report carries particular importance given the Bank's statement that "if inflation and economic activity evolve broadly in line with the October projection, Governing Council sees the current policy rate at about the right level..." Translation? If the economy performs in line with the MPR, we are now at the bottom of the rate cutting cycle.

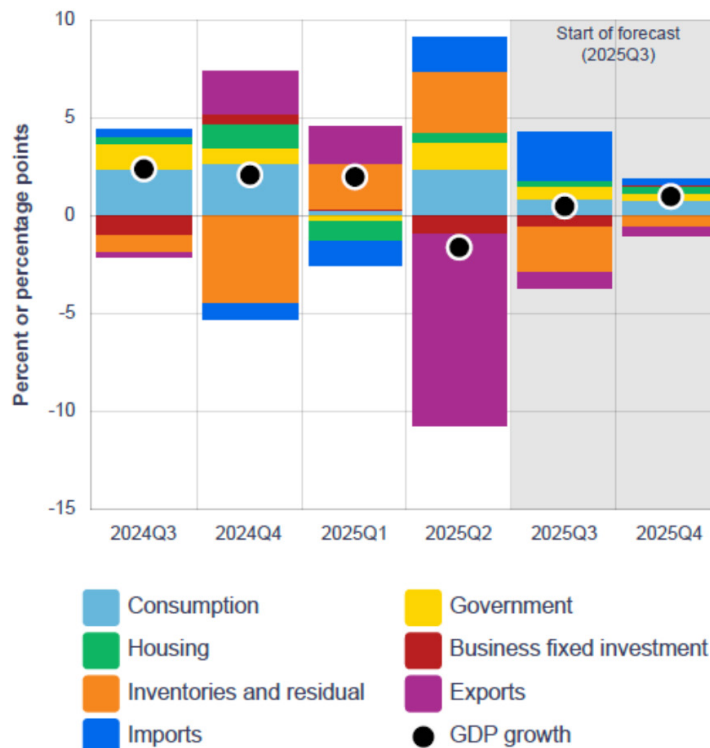
While the full MPR can be found [[here](#)], what follows are some key data points and forecasts the Bank of Canada will be watching. **All quoted material is taken directly from the MPR.**

GDP Outlook - Bank of Canada MPR

Real gross domestic product (GDP) contracted by 1.6% in the second quarter of 2025... This decline reflects the disruptive effects of US tariffs on exports as well as heightened uncertainty. Rising equity prices and declining borrowing costs helped mitigate the drag on GDP. (Diagram 1)"

Diagram 1: The Decline in Exports Pulled GDP Down in the Second Quarter of 2025

*Contributions to real GDP growth, annualized, quarterly data



Note: Numbers may not add up due to rounding.

Sources: Statistics Canada and Bank of Canada calculations and estimates

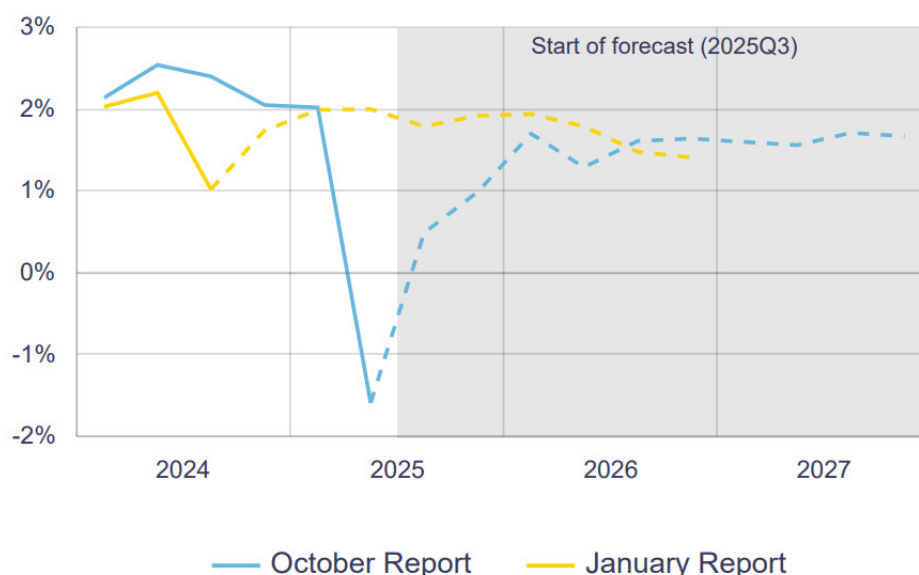
Last data plotted: 2025Q4

GDP Outlook (Cont'd)

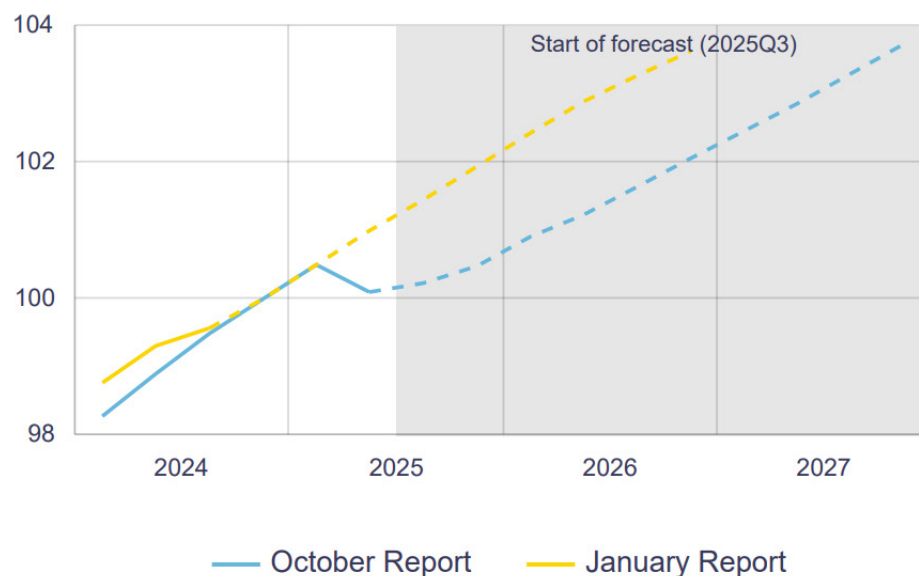
Looking forward "GDP growth is expected to gradually increase over the second half of 2025. Growth in 2026 and 2027 averages around 1.4%. However, US tariffs are anticipated to permanently reduce the level of Canadian GDP when compared with the January Report (Diagram 2)... The recovery in GDP is projected to be slow because the reallocation of capital and labour in the economy and weakness in the labour market weigh on household spending."

Diagram 2: GDP Growth is Expected to Strengthen, but the Level of Activity is Lower Than Projected in the January Report

a. Quarter-over-quarter percentage change of real GDP at annual rates



b. Level of real GDP, index: 2024Q4 = 100



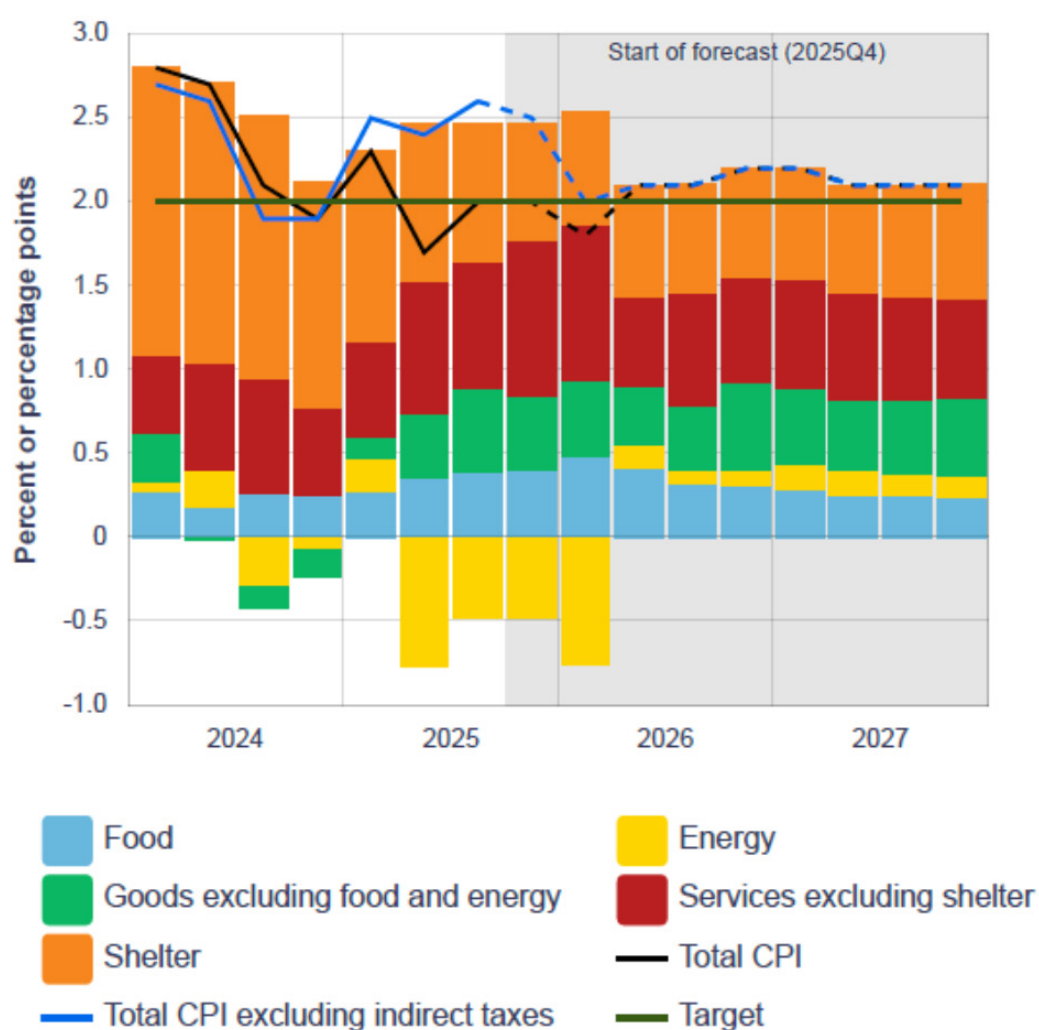
Sources: Statistics Canada and Bank of Canada calculations, estimates and projections
Last data plotted: 2027Q4

"Inflation is projected to decline from 2.4% in September and settle around 2% in early 2026. It remains there throughout the projection horizon (Diagram 3)."

"Inflation at 2% reflects opposing forces. On the upside, tariffs and the restructuring of global trade and domestic production are raising costs and supporting inflation. On the downside, excess supply dampens inflation."

Diagram 3: CPI Inflation Averages Around 2% Over the Projection Horizon

*Contributions to year-over-year CPI inflation, quarterly data



Note: No changes to indirect tax rates are assumed over the projection horizon.

Sources: Statistics Canada and Bank of Canada calculations, estimates and projections

Last data plotted: 2027Q4

What could the combined -2.75% (-275 basis points) of rate drops from June 5, 2024 to October 29, 2025 mean for you?



If you have a variable rate mortgage with adjustable payments:

- Compared to June 2024, your payment should have decreased by a cumulative amount of about \$165 per \$100K of mortgage depending on your amortization.

If you have a variable rate mortgage with static /non-adjustable payments:

- The interest portion of your payment decreases further, and a larger portion of your payment will go towards the principal (unless you remain above your trigger point).

If you have a home equity line of credit:

- Compared to June 2024 your minimum payment should have decreased by a combined amount of about \$220 per \$100K of HELOC balance.

If you have a fixed-rate mortgage:

- While there is no immediate impact, the reduction may help if you have an upcoming renewal, or want to investigate potential benefits of replacing your mortgage.

If you are currently shopping for a home or have a pre-approval:

- Your buying power may have increased. If your approval rate is reduced by -2.75% (-275 basis points), it could increase your purchasing power by about 24%, all else being equal (i.e., if you were buying for \$1,000,000, it's possible you may now qualify for approximately \$1,240,000).
- While variable-rate pre-approvals benefit immediately from a Bank of Canada cut, fixed-rate pre-approvals work differently. Since fixed rates generally move with bond yields (which shift in anticipation of BoC changes), the recent cuts were already reflected in most fixed-rate offers. That said, rates can change frequently, and your mortgage broker is a great resource to keep you up to date on current bond yields and lender rates.

What could this rate drop mean for you in the longer term?

Are more rate cuts expected?

- The short answer? Not likely. At the time of writing, the consensus is that we have hit the bottom of this rate cutting cycle. That said, while the majority of major banks forecast no further cuts, a few big banks forecast one final (-0.25%) cut at the next Bank of Canada meeting on December 10th.

Fixed or Variable?

- As the policy rate (and prime rate) drops, the potential attractiveness of a variable vs. fixed rate product may grow.
- Looking to weigh your options? At Outline Financial, we have developed a number of analysis tools to help quantify the pros, cons, costs, and benefits when comparing products. Want to compare a short vs. long term fixed rate product? Want to quantify the potential impact of taking a variable rate vs. fixed rate product given the current interest rate outlook? Please contact a member of the Outline team for a customized analysis, as we would be happy to help.

How will this rate reduction impact fixed rates?

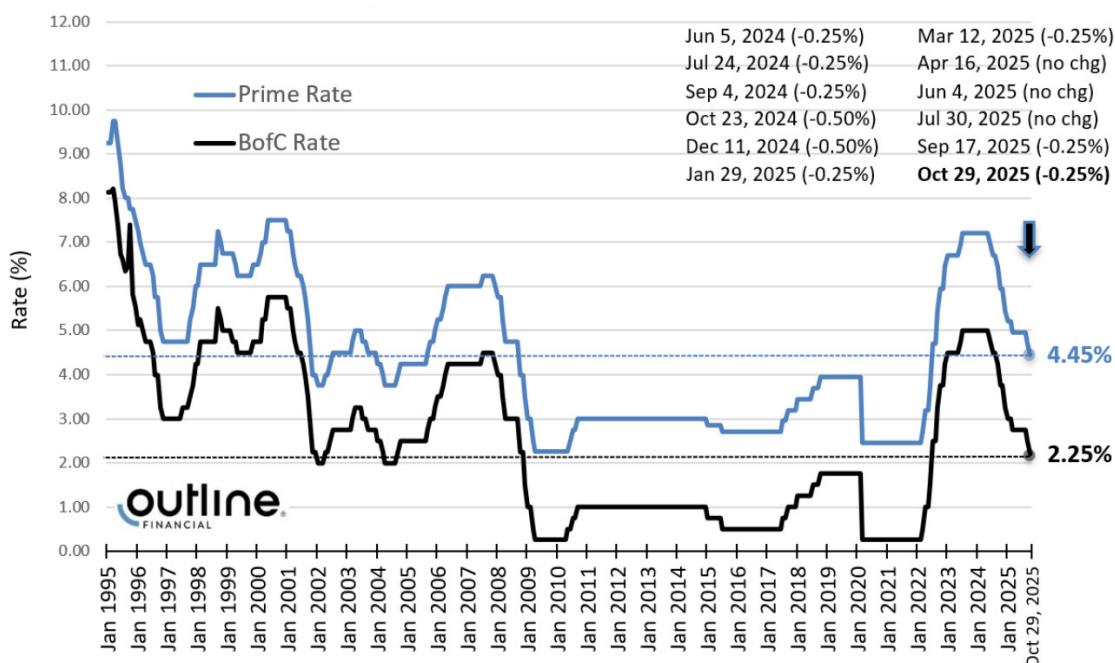
- As mentioned above, fixed rates are heavily influenced by government bond yields. Since bond yields move “in anticipation of” a potential Bank of Canada rate change, the most recent 0.25% rate reduction was already priced into many fixed-rate approvals. That said, lenders may have discretion on pricing, so actual mortgage rates can vary with factors like competition, funding costs, and broader market conditions. It’s important to review your options with your mortgage broker, as the rate environment can shift quickly.

HAVE QUESTIONS ABOUT YOUR MORTGAGE STRATEGY?

Whether you’re purchasing, refinancing, or simply planning ahead, understanding how the Bank of Canada’s rate decision, and currently available rates and strategies, could impact your options is critical. We’re here to help you navigate the landscape.



History of Bank of Canada Overnight Rate and Prime Rate



Bank of Canada: 2024 Rate Announcement Dates

Dates	Change	Publications
January 24 th , 2024	No Change	Interest Rate Announcement and Monetary Policy Report
March 6 th , 2024	No Change	Interest Rate Announcement
April 10 th , 2024	No Change	Interest Rate Announcement and Monetary Policy Report
June 5 th , 2024	-0.25%	Interest Rate Announcement
July 24 th , 2024	-0.25%	Interest Rate Announcement and Monetary Policy Report
September 4 th , 2024	-0.25%	Interest Rate Announcement
October 23 rd , 2024	-0.50%	Interest Rate Announcement and Monetary Policy Report
December 11 th , 2024	-0.50%	Interest Rate Announcement

Bank of Canada: 2025 Rate Announcement Dates

Dates	Change	Publications
January 29 th , 2025	-0.25%	Interest Rate Announcement and Monetary Policy Report
March 12 th , 2025	-0.25%	Interest Rate Announcement
April 16 th , 2025	No Change	Interest Rate Announcement and Monetary Policy Report
June 4 th , 2025	No Change	Interest Rate Announcement
July 30 th , 2025	No Change	Interest Rate Announcement and Monetary Policy Report
September 17 th , 2025	-0.25%	Interest Rate Announcement
October 29 th , 2025	-0.25%	Interest Rate Announcement and Monetary Policy Report
December 10 th , 2025	TBD	Interest Rate Announcement



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Outline Financial is an award-winning mortgage brokerage offering direct access to rate and product options from over 30 lenders including banks, credit unions, and mono-line lenders all in one convenient service. The Outline team was formed by senior level bankers and financial planners that wanted to offer their clients strategy and choice with an exceptional service experience. To learn more about the team, please visit www.outline.ca.

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- 5-Star Google Rating – 700+ Reviews
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- 2021 CMP Top Canadian Mortgage Workplace
- 2021 Mortgage Brokerage of the Year – Canadian Mortgage Awards (CMA) Winner
- 2020 Mortgage Brokerage of the Year – Canadian Mortgage Awards (CMA) Winner
- 2019, 2021 Outstanding Customer Service Award – CMA Finalist
- 2019 Employer of Choice Award – CMA Finalist

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