

APRIL 16TH, 2025

Bank of Canada Holds Rate at 2.75%

Why and What's Next?



On April 16th, 2025, the Bank of Canada held its overnight interest rate steady at 2.75% after seven consecutive rate cuts totalling -2.25% (-225 basis points) since June 2024.

While analysts were roughly split on their cut/no cut forecasts leading up to the April 16th announcement, the Bank of Canada (BoC) opted to hold rates steady as it evaluates the evolving U.S. tariff policies and their potential impact on the Canadian economy.

This report focuses on key themes and takeaways from the Bank of Canada's April 16th decision. Throughout this report we make reference to the following documents published by the Bank of Canada:

- (Ref1) BoC: April 16th Press Release [\[click here\]](#)
- (Ref2) BoC: April 2025 Monetary Policy Report [\[click here\]](#)
- (Ref3) BoC: April 16th Opening Statement, Tiff Macklem (Governor of the BoC) [\[click here\]](#)

Key Themes and Takeaways



Uncertainty is the New Normal

A key theme underlying the Bank's decision to pause is the unprecedented uncertainty from rapidly shifting U.S. tariff policies. The U.S. has frequently imposed, suspended, and re-imposed tariffs on various goods since the initial announcement on February 1st, 2025.

In the Bank's opening statement, Governor Tiff Macklem stated the following:

"At this meeting, we decided to hold our policy rate unchanged as we gain more information about both the path forward for US tariffs and their impacts." (Ref3)

Given the unpredictable trade environment, the Bank also deviated from tradition, by providing two very different economic scenarios in its monetary report, rather than a single forecast.

A summary of each economic scenario is provided below.

ECONOMIC SCENARIO 1

Assumptions:	<i>"Most tariffs imposed since the trade conflict began are negotiated away, but the process is unpredictable. Uncertainty about trade policy continues until the end of 2026." (Ref2)</i>
Economic Impact:	<i>"Global and Canadian growth weaken temporarily before picking up. Inflation in Canada falls to around 1.5% for one year, mostly reflecting the removal of the consumer carbon tax. It then returns to the 2% target." (Ref2)</i>

ECONOMIC SCENARIO 2

Assumptions:	<i>"The uncertainty and limited tariffs in Scenario 1 persist, and other US tariffs are added. A long-lasting global trade war unfolds." (Ref2)</i>
Economic Impact:	<i>"A sharp global slowdown and an increase in inflation occur, especially in the United States. In Canada, a significant recession ensues, and inflation temporarily rises above 3% in mid-2026 before returning to the 2% target." (Ref2)</i>

While the economic scenarios cover a broad range of outcomes, the Bank of Canada caveats that *"...these are only two of many possible scenarios, and even these do not span the possible outcomes."* (Ref3)

For a more in-depth review of the assumptions underlying the Economic Scenarios, please [\[click here\]](#)

For a timeline of tariff announcement up to and including April 11th, 2025, please [\[click here\]](#)



Economic Momentum Slips as Uncertainty Persists

After a strong finish to 2024, Canada’s economic momentum has slowed in early 2025:

- Consumer spending, housing activity, and business investments have all weakened, particularly in sectors most exposed to international trade uncertainty. Tiff Macklem states that “incoming data are increasingly pointing to a considerable slowing in business investment and household spending.” (Ref3)
- The labour market softened in March, with net job losses of 33,000 and the unemployment rate rising to 6.7%. Why? “Tariffs and uncertainty about trade policy are disrupting the recovery in the labour market...many businesses responding to Bank of Canada surveys now say they will slow hiring in the near term.”(Ref2)
- GDP growth decreased significantly from 2.6% in late 2024 to an estimated 1.8% in the first quarter of 2025. “This slowdown reflects the impact of the intensifying trade conflict and a pullback after a strong second half of 2024.” (Ref2) And “with exports expected to decline, second-quarter growth will be much weaker.” (Ref3)

GDP Growth Outlook - Bank of Canada, April 2025 Monetary Policy Report

Quarter-over-quarter percentage change at annual rates, quarterly data

	2025				2026				2027			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Scenario 1	1.75%	0.00%	1.52%	1.24%	1.46%	1.47%	1.66%	1.67%	1.85%	1.82%	1.58%	2.01%
Scenario 2	1.75%	-1.25%	-2.02%	-1.15%	-0.25%	0.92%	1.17%	1.38%	1.81%	1.80%	1.66%	2.06%

Note: The assumptions and scenarios were finalized on April 11, 2025.

Sources: Statistics Canada and Bank of Canada calculations and estimates

Last data plotted: 2027Q4



A Mixed Outlook for Inflation

- While headline inflation eased to 2.3% in March, core inflation (CPI-median and CPI-trim) remained persistently high at 2.9% and 2.8% respectively.
- Short term inflation expectations have increased. The Bank of Canada states, *"both businesses and households expect the trade conflict to push prices up. Some businesses report that they have already seen an increase in costs and expect these increases to continue."* (Ref2)
- While expectations have increased, CPI results may actually trend downward over the next 12 months given the elimination of the consumer carbon tax. *"The elimination of the consumer carbon tax on April 1st will remove about 0.7 percentage points for one year"* (Ref3).
- The medium to longer-term inflation outlook remains highly uncertain. Governor Macklem states: *"What happens with inflation will depend importantly on what happens with tariffs...a weaker economy will put downward pressure on inflation and higher costs from tariffs will put upward pressure."* (Ref3)

Inflation Outlook - Bank of Canada, April 2025 Monetary Policy Report

Year-over-year percentage change, quarterly data

	2025				2026				2027			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Scenario 1	2.4%	1.5%	1.6%	1.7%	1.4%	2.2%	2.1%	2.2%	2.2%	2.1%	2.1%	2.1%
Scenario 2	2.4%	1.5%	1.9%	2.3%	2.2%	3.1%	2.9%	2.5%	2.2%	2.0%	1.9%	1.9%

Note: The assumptions and scenarios were finalized on April 11, 2025.

Sources: Statistics Canada and Bank of Canada calculations and estimates

Last data plotted: 2027Q4

What's Next?

Governor Macklem emphasized that the Bank of Canada will continue to carefully monitor developments and remain prepared to respond decisively if clearer economic trends emerge.

"Faced with pervasive uncertainty, Governing Council will proceed carefully, with particular attention to the risks. That means being less forward-looking than usual until the situation is clearer. It also means we are prepared to act decisively if incoming information points clearly in one direction." (Ref3)

The Bank's next scheduled rate announcement is June 4th, 2025, followed by its comprehensive economic update and rate announcement on July 30th, 2025.

Potential Mortgage Market Implications

After a total of -225 basis points (-2.25%) of cumulative rate cuts since June 2024, the recent pause by the Bank of Canada gives potential home buyers, and existing mortgage holders, a chance to analyze their options.

Variable Rate Mortgages

- For those that already have, or are considering, a variable-rate mortgage, the Bank of Canada is on hold until their next meeting on June 4th, 2025. As at the time of writing, most banks and economists are still projecting another 0.25% to 0.75% of rate cuts before the Bank of Canada hits the bottom at some point in late 2025 or early 2026.
- That being said, given the current trade-related uncertainties, market forecasts can change quickly and significantly. To access up-to-date forecasts, please reach out to an Outline Financial Mortgage agent at any time.

Fixed Rate Mortgages

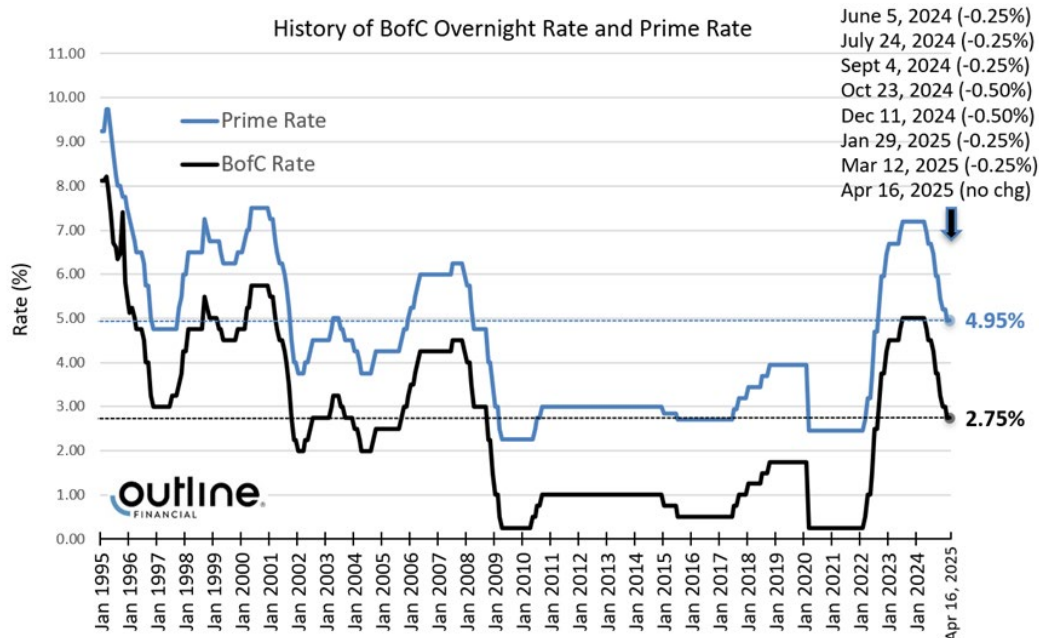
- Fixed rates are largely influenced by bond yields, which have experienced considerable volatility over the past few months given the constantly evolving U.S. tariff landscape.
- As bond yields are already pricing in future rate cuts by the Bank of Canada, currently available fixed rates may already be at or very near projected lows and may trend upward by late 2025 or early 2026.
- That being said, given the current trade-related uncertainties, market forecasts can change quickly and significantly. To access up-to-date forecasts, please reach out to an Outline Financial Mortgage agent at any time.



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	TBD	Interest Rate Announcement
July 30 th , 2025	TBD	Interest Rate Announcement and Monetary Policy Report
September 17 th , 2025	TBD	Interest Rate Announcement
October 29 th , 2025	TBD	Interest Rate Announcement and Monetary Policy Report
December 10 th , 2025	TBD	Interest Rate Announcement



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