

JUNE 4^H, 2025

Bank of Canada Holds Rate at 2.75%

Why and What's Next?



In line with market expectations, on **June 4, 2025**, the Bank of Canada maintained its policy interest rate at **2.75%** for a second consecutive meeting. Prime rate remains at 4.95%.

The decision to hold the policy rate comes as recent economic data, particularly stronger-than-expected Q1 GDP and persistent core inflation, resulted in the Bank of Canada taking a cautious approach.

During the June 4th press conference, Tiff Macklem (Governor of the Bank of Canada) provided insight into their decision. "Uncertainty remains high. The Canadian economy is softer but not sharply weaker. And we've seen some firmness in recent inflation data. Against this backdrop, we decided to hold the policy rate unchanged as we continue to gain more information on US trade policy and its impact."

For full details, please click on the below Bank of Canada links:

- June 4th – Bank of Canada Press Release [\[Link Here\]](#)
- June 4th – Bank of Canada Opening Statement [\[Link Here\]](#)
- June 4th – Bank of Canada Press Conference Video [\[Link Here\]](#)

What were the major banks projecting, and what could this mean for you now and moving forward?



What Were the Big Bank Economists Projecting?

Bank of Canada's decision to hold steady on June 4th, was in line with recent comments from several major Canadian financial institutions as outlined on the next page.

That being said, at the time of writing this report, the major banks continue to believe we will eventually see an additional -0.25% to -0.75% of rate cuts before hitting a bottom by the end of 2025 or early 2026.

BMO Capital Markets:

- Douglas Porter, Chief Economist at BMO, stated in a note to clients June 2, 2025, that “The key point here is that the GDP figures are sending no obvious distress signals so far in 2025,” leading BMO to firm up its call for a hold, now projecting a cut in July. [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)

RBC Economics:

- Nathan Janzen and Abbey Xu of RBC Economics noted around June 2nd, 2025, that while the decision would be a “close call,” more resilient economic data made a second consecutive pause on rates is more likely than a cut at this stage. [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)

CIBC Capital Markets:

- Avery Shenfeld, Chief Economist at CIBC, suggested in commentary around June 3rd, 2025, that while the case for easing exists, the recent strength in economic data would likely make the Bank of Canada pause at this meeting. [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)

Scotiabank Economics:

- Derek Holt, Vice-President and Head of Capital Markets Economics at Scotiabank, expressed on May 30, 2025 that “GDP is just one of the many reasons for the Bank of Canada to Hold Fire”. [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)

TD Economics:

- Beata Caranci, Chief Economist at TD Bank Group, and her team acknowledged that while they still forecast rate cuts later in the year, the recent strong economic data made a hold in June the prudent move for the Bank of Canada [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)

National Bank Financial Markets:

- National Bank’s Matthieu Arseneau & Kyle Dahms believe that the current 2.75% rate is “too restrictive for prevailing economic conditions” and while they believe the BoC may “hesitate to act” at this week’s meeting, they think the policy rate could be 2% by year-end as the central bank is forced to provide support in the months ahead. [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)



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 at their last two meetings 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 July 30th, 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 mortgage rates are largely influenced by Government of Canada bond yields, which have experienced significant volatility over the past month given continued tariff uncertainty, and the recent inflation and GDP reports.
- As bond yields are forward-looking, they are already pricing in approximately two additional -0.25% rate cuts by the end of 2025, meaning fixed rates may already be at, or very near projected lows.
- That being said, given the trade and economic uncertainties, market forecasts and bond yields can change quickly and significantly. To access up-to-date forecasts, please reach out to an Outline Financial mortgage agent at any time.

What's Next?

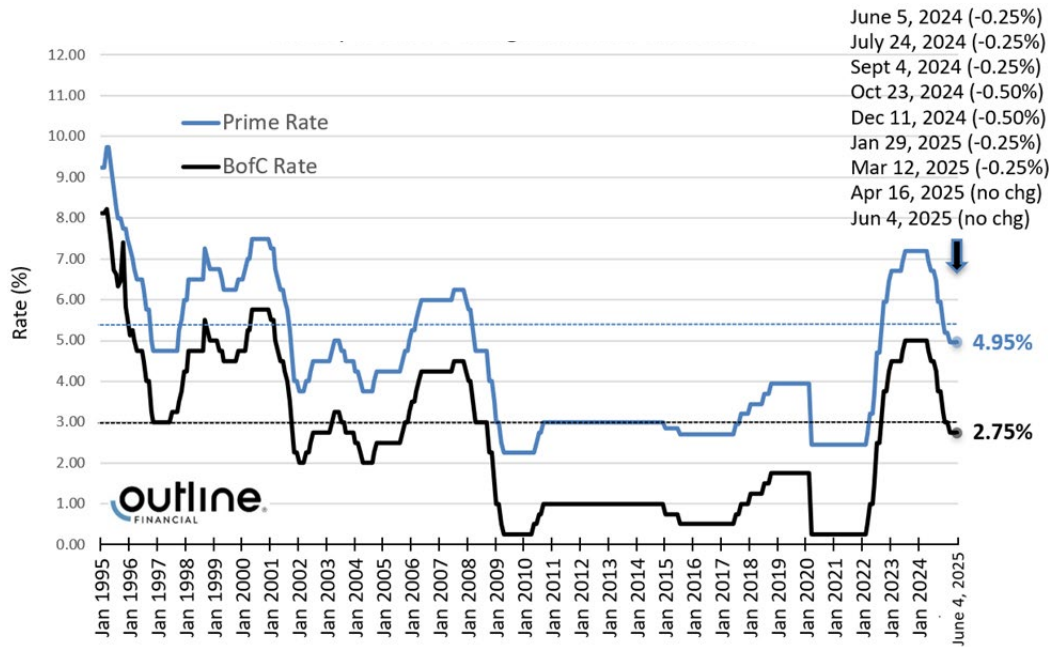
The Bank of Canada will continue to base its decisions on incoming data, particularly indicators of inflation, labour market conditions, and overall economic growth. The next rate announcement is scheduled for July 30th, and economists will be dissecting the Bank of Canada's statement for clues on the future path of monetary policy.

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	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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- 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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