

JULY 30TH, 2025

Bank of Canada Holds Rate at 2.75%

Why and What's Next?



In line with market expectations, on **July 30th, 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 reflects three main considerations as outlined by Tiff Macklem (Governor of the Bank of Canada):

- "First, uncertainty about US tariffs on Canada is still high. Discussions between Canada and the United States are ongoing, and US policy remains unpredictable."
- "Second, while US tariffs are disrupting trade, Canada's economy is showing some resilience so far."
- "Third, inflation is close to our 2% target, but we see evidence of underlying inflation pressures."

While full details of the Bank of Canada's decision are included in the links below, this report will focus on major economists' reactions to the decision, key takeaways from the Bank of Canada's Monetary Policy Report (economic forecast), and what this all means for current or potential mortgage holders.

- July 30th – Bank of Canada Press Release [\[Link Here\]](#)
- July 30th – Bank of Canada Opening Statement [\[Link Here\]](#)
- July 30th – Bank of Canada Press Conference Video [\[Link Here\]](#)
- July 30th – Bank of Canada Monetary Policy Report (Economic Forecast) [\[Link Here\]](#)



What Were the Big Bank Economists Projecting?

Bank of Canada's decision to hold steady on July 30th, was in line with recent comments from several major Canadian financial institutions as outlined on the next page.

That being said, many major banks and economists are still forecasting -0.25% to -0.50% of rate cuts before hitting a bottom by the end of 2025 or early 2026.

The Bank of Canada also hinted at a possible future rate cut when Tiff Macklem stated, "if a weakening economy puts further downward pressure on inflation and the upward pressures from the trade disruptions are contained, there may be a need for a reduction in the policy interest rate."

CIBC Capital Markets:

- In an article published on July 25, 2025, co-authored by Avery Shenfeld, CIBC states: "Next week, for the third meeting in a row, the Bank of Canada will pass on further interest rate cuts...out of fear of an acceleration in inflation." They further add, "our greater fear is that an overblown inflation threat will keep the Bank from delivering timely interest rate relief to an economy that needs it." [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)

National Bank Financial Markets:

- In their July/August 2025 Fixed Income Monitor, National Bank states that "a series of positive economic surprises of late should keep the Bank of Canada sidelined for their late-July meeting." They anticipate 50 bps of BoC easing this year, bringing the overnight target to 2.25%. [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)

TD Economics:

- In their "Weekly Bottom Line" published on July 25, 2025, TD Economics states, "July's rate decision is essentially locked in as a hold - the real question is whether the Bank stays on hold in September and beyond." [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)

Scotiabank Economics:

- Derek Holt, Vice-President and Head of Capital Markets Economics at Scotiabank, reinforced their long-standing view on July 15, 2025, that the Bank of Canada will remain on hold, stating, "A hold on July 30th is very likely after 83K jobs were created in June, with core CPI remaining too warm." Scotiabank maintains a hold forecast for the rest of 2025, but does forecast one 0.25% rate cut in early 2026. [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)

RBC Economics:

- Claire Fan and Abbey Xu of RBC Economics, in a July 25, 2025 report, expect the Bank of Canada to leave the overnight rate unchanged. They state, "Overall, sticky inflation readings, a weakening but relatively resilient economic backdrop and prospects for larger fiscal spending are reasons why we do not expect the BoC will cut again in this cycle." [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)

BMO Capital Markets:

- Michael Gregory, Deputy Chief Economist at BMO, noted on July 10, 2025, that "Monetary policy is bogged down on both sides of the Canada-U.S. border." He anticipates "both policy holds won't last past the end of the summer and look for rates to start the autumn 25 bps lower." [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)



An Updated Economic Forecast

Bank of Canada Monetary Policy Report July 2025

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

Similar to the Bank of Canada’s April MPR, given *“US tariffs are still too unpredictable to be able to provide a single forecast for the Canadian economy (Tiff Macklem)”*, the Bank of Canada published three different forecasts based on the following scenarios:

Current Tariff Scenario: Based on tariffs in place or agreed as of July 27 th	De-Escalation of Tariffs: Scenario where tariffs de-escalate from July 27 th onward	Escalation of Tariffs: Scenario where tariffs escalate from July 27 th onward
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While the full details are included in their MPR report [\[click here\]](#), what follows is a summary of the key differences in assumptions among the scenarios:

Key Differences in Assumptions Among the Scenarios

Variation	United States	Canada and other countries
Current tariff scenario	<ul style="list-style-type: none">US tariffs and trade agreements in place or agreed on as of July 27, 2025, are assumed to be permanentThe US weighted average tariff rate on the world is 13%Uncertainty remains elevated into 2026	<ul style="list-style-type: none">Retaliatory tariffs by Canada and China on the United States in place as of July 27, 2025, are assumed to be permanentOther countries are assumed to not retaliateUncertainty remains elevated into 2026
De-escalation scenario	<ul style="list-style-type: none">The United States lowers its tariffs on most countriesThe US weighted average tariff rate on all countries is 10%US tariffs on Canada are cut in halfUncertainty is lower than in the current tariff scenario	<ul style="list-style-type: none">Canada and most other countries remove their retaliatory tariffsChina keeps a very small amount of retaliation in placeUncertainty is lower than in the current tariff scenario
Escalation scenario	<ul style="list-style-type: none">The United States substantially increases its tariffs on most countriesThe US weighted average tariff rate on all countries is 28%Uncertainty remains the same as in the current tariff scenario	<ul style="list-style-type: none">Canada and China roughly double the value of US goods subject to retaliatory tariffsAll other countries substantially increase their tariff rates on the United StatesUncertainty remains the same as in the current tariff scenario

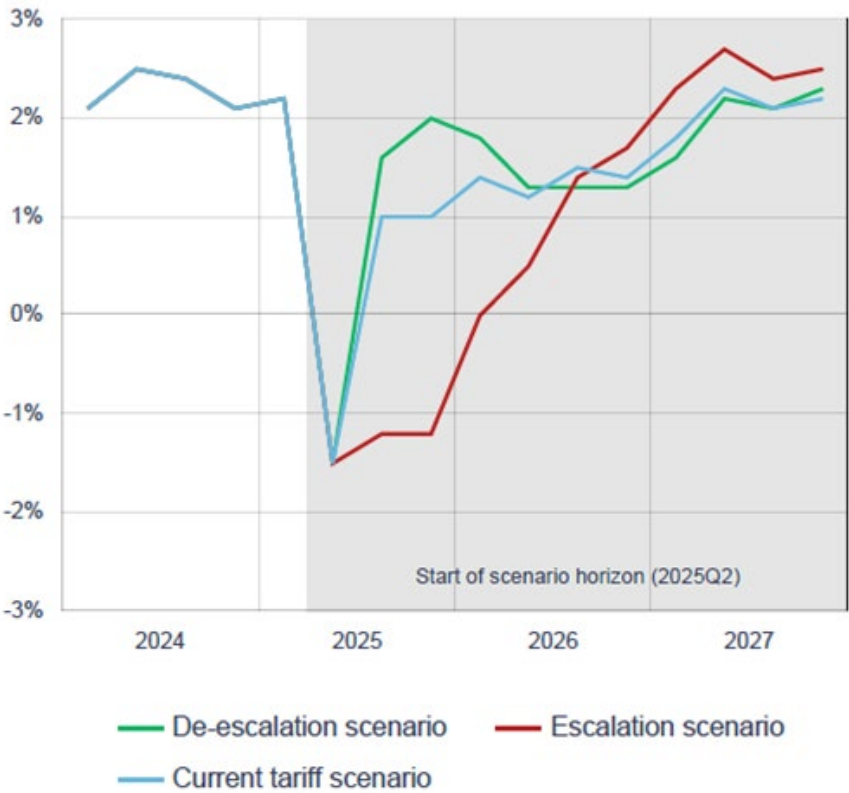
GDP Forecast - Bank of Canada

Following a robust first quarter of 2025 (2.2% growth, driven by a pre-tariff export pull-forward), Canada’s Gross Domestic Product (GDP) is estimated to have contracted by 1.5% in the second quarter.

The Bank of Canada’s medium/long term forecasts for GDP are as follows:

Current Tariff Scenario: Under the “current tariff scenario,” following the Q2 contraction, modest growth of 1% is anticipated in the second half of 2025, gradually strengthening to 1.8% by 2027.	De-Escalation of Tariffs: In the “de-escalation scenario,” Canadian economic growth rebounds at a faster pace. GDP is projected to grow around 2% in the second half of 2025 and average approximately 1.7% through the end of 2027.	Escalation of Tariffs: In the “escalation scenario” a significant increase in tariffs and persistent elevated uncertainty, leads to a recession in Canada. This is characterized by a contraction in GDP lasting for three consecutive quarters through the remainder of 2025. Growth slowly recovers in 2026 as the economy adjusts, but the level of GDP is projected to be approximately 1.25% lower by the end of 2027 compared to the current tariff scenario.

Quarter-Over-Quarter Percentage Change of Real GDP at Annual Rates Forecast



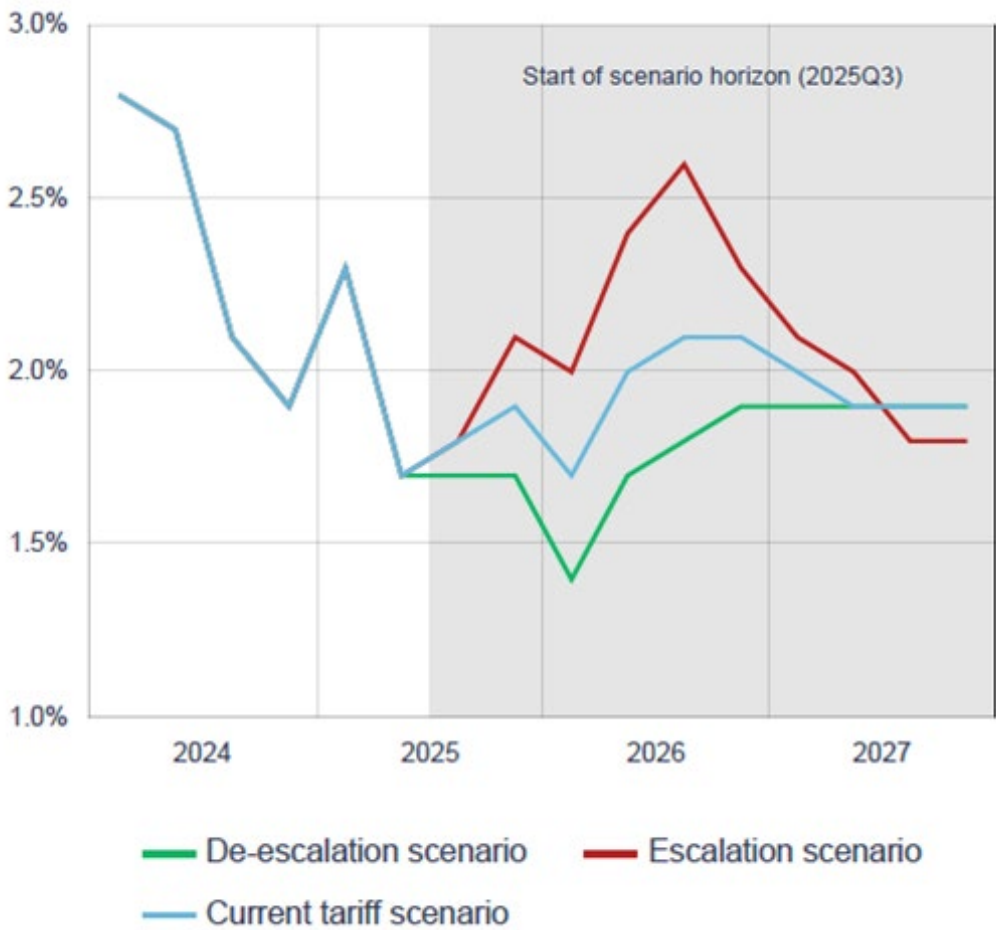
Inflation (CPI) Forecast - Bank of Canada

Canada’s current inflation picture is complex, with the Consumer Price Index (CPI) growth rate at 1.9% in June 2025, influenced by the removal of the consumer carbon tax. Excluding indirect taxes, inflation was higher at 2.5%, driven by non-energy goods prices. The Bank of Canada estimates underlying inflation to be around 2.5%, with core measures ranging from 2.5% to 3.1%.

The Bank of Canada’s medium / long term forecasts for inflation are as follows:

Current Tariff Scenario: CPI inflation is projected to remain near the 2% target, balancing upward pressures from tariffs and the end of the carbon tax effect with downward pressures from excess supply and a stronger Canadian dollar.	De-Escalation of Tariffs: With lower tariffs, inflation is expected to stay below the 2% target until late 2026, averaging around 2% in 2027 due to reduced tariff-related cost pressures.	Escalation of Tariffs: Under significantly higher tariffs, inflation temporarily rises above the 2% target, peaking just over 2.5% by Q3 2026, before declining back to around 2% in 2027 as excess supply and diminishing tariff impacts take hold.

Year-Over-Year CPI Percentage Change Forecast, Quarterly Data



Potential Mortgage Market Implications

After a total of -225 basis points (-2.25%) of cumulative rate cuts from June 2024 to March 2025, the Bank of Canada has held its policy interest rate flat for three consecutive meetings. This pause gives potential homebuyers 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 September 4th, 2025. As at the time of writing, most banks and economists are still projecting another 0.25% to 0.50% 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 one 0.25% rate cut by the end of 2025, meaning fixed rates may already be at, or very near projected lows.

What's Next?

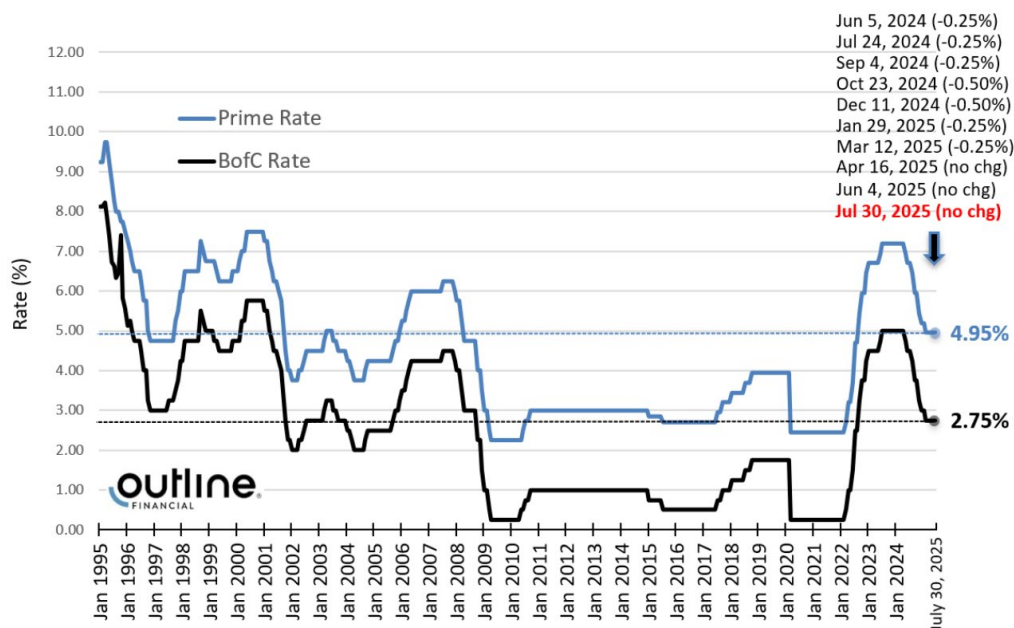
The Bank of Canada will continue to base its decisions on incoming data, particularly indicators of inflation, labour market conditions, and overall economic growth. The next rate announcement is scheduled for September 4th, and economists will be dissecting the Bank of Canada's statement for clues on 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	No Change	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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