

SEPTEMBER 17TH, 2025

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

Why and What's Next?



As widely anticipated, on September 17th, 2025, the Bank of Canada reduced its policy interest rate by 0.25%, bringing it down to 2.50%. The lowest point in over three years.

The decision to lower the policy rate was driven by three key developments that, according to Tiff Macklem, Governor of the Bank of Canada, have “shifted the balance of risks” since the previous meeting in July.

“First, Canada’s labour market has softened further.”

“Second, although there are still some mixed signals, on balance, recent data suggest the upward pressures on underlying inflation have diminished.”

“Third, with the removal of most retaliatory tariffs by Canada, there is less upside risk to future inflation.”

“Considerable uncertainty remains. But with a weaker economy and less upside risk to inflation, Governing Council judged that a reduction in the policy rate was appropriate to better balance the risk going forward” - Tiff Macklem

While full details of the Bank of Canada’s decision are included in the links below, this report will focus on major economists’ forecasts heading up to the decision and what this means for current or potential mortgage holders.

- September 17th – Bank of Canada Press Release [\[Link Here\]](#)
- September 17th – Bank of Canada Opening Statement [\[Link Here\]](#)
- September 17th – Bank of Canada Press Conference Video [\[Link Here\]](#)



What Were the Big Bank Economists Projecting?

Bank of Canada’s decision to cut its policy rate on September 17th, was in line with recent comments from several major Canadian financial institutions as outlined on the next page.

While forecasts range from no further cuts to as many as two additional 0.25% reductions, the current consensus appears to one more 0.25% cut before reaching a bottom by late 2025 or early 2026.

At its September 17th meeting, the Bank of Canada kept a neutral tone on future rate cuts, noting only, “We will support economic growth while ensuring inflation remains well controlled.”

CIBC Capital Markets

- Pre-meeting forecast of a 25 bps cut, bringing the policy rate to 2.50%. Year-end forecast is 2.25%.
 - “[We expect] the central bank...to restart interest rate cuts with a 25bp move, and keep the door open to further reduction.” - Sept 5th to 19th: The BoC and the Fed: Same road, different journeys
 - Links: [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)
-

National Bank Financial Markets

- Pre-meeting forecast of a 25 bps cut, bringing the policy rate to 2.50%. Year-end forecast is 2.25%.
 - “Good things tend to come in pairs, and we still see a follow-on cut in October.” - Sept 12th: Monthly Fixed Income Monitor
 - Links: [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)
-

TD Economics

- Pre-meeting forecast of a 25 bps cut, bringing the policy rate to 2.50%. Year-end forecast is 2.25%.
 - “Odds are the Bank of Canada cuts rates...after a pair of soft employment reports and a contraction in GDP.” - Sept 12th: The Calm Before the Cut?
 - Links: [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)
-

Scotiabank Economics:

- Pre-meeting forecast of a 25 bps cut, bringing the policy rate to 2.50%. Year-end forecast is 2.25%.
 - “If the BoC cuts on September 17th, as we currently expect, we think they would follow that up with another cut in October.” - Sept 11th: Interest Rates to Fall, but Inflation Remains a Key Concern
 - Links: [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)
-

BMO Capital Markets:

- Pre-meeting forecast of a 25 bps cut, bringing the policy rate to 2.50%. Year-end forecast is 2.25%.
 - “[B]oth the Federal Reserve and the Bank of Canada are expected to resume cutting rates...” - Sept 12th: The Cutting Crew...Goes to 11
 - Links: [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)
-

RBC Economics:

- Pre-meeting forecast of no changes for 2025 and 2026.
- “[W]e look for the central bank to narrowly opt for a hold on interest rates.” - Sept 12th: Another close call for the BoC but not so much for the Fed
- Links: [\[Pre BoC Announcement Commentary\]](#) / [\[Post BoC Announcement Commentary\]](#)

What could this combined -2.50% (-250 basis points) of rate drops from June 2024 to Now 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 \$150 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 \$200 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 -2.50% (-250 basis points), it could increase your purchasing power by about 20%, all else being equal (i.e., if you were buying for \$1,000,000, it's possible you may now qualify for approximately \$1,200,000).
- 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? Yes, it's likely. At the time of writing, the consensus is for one more 0.25% rate cut before reaching a bottom in late 2025 or early 2026 (bringing the policy rate to 2.25%). That said, forecasts from major banks and economist range from no further cuts to as much as 0.50% in additional reductions (a policy rate range of 2.00% to 2.50%).
- The next Bank of Canada meetings are scheduled for October 29th and 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?

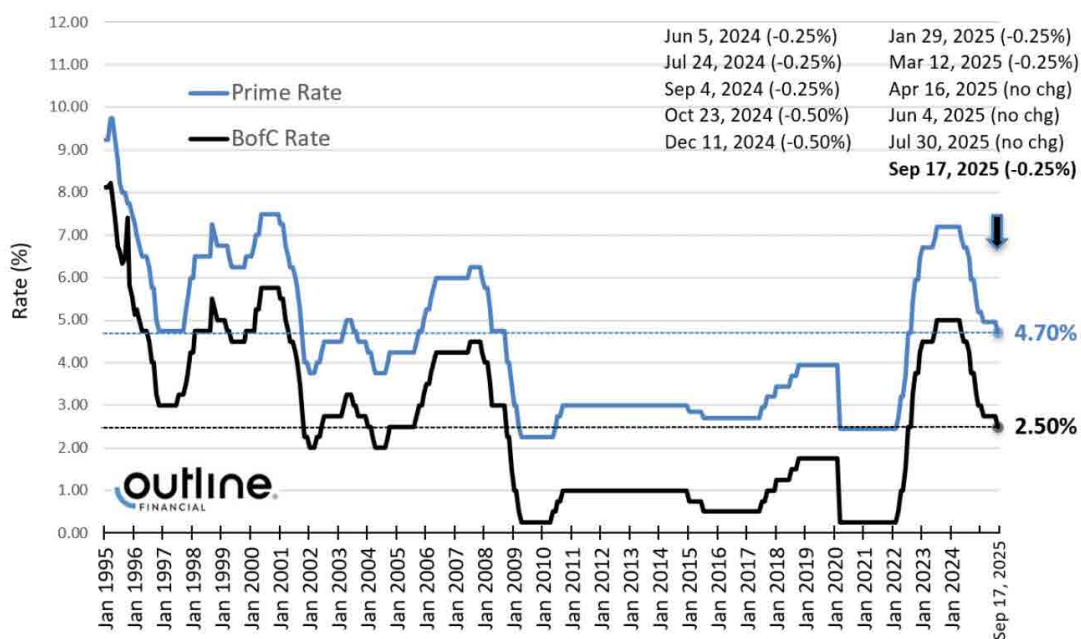
- As mentioned above, fixed rates are heavily influenced by government bond yields. Since bond yields move "in anticipation of" a potential Bank of Canada rate change, the most recent 0.25% rate reduction was already priced into many fixed-rate approvals. That said, lenders may have discretion on pricing, 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	TBD	Interest Rate Announcement and Monetary Policy Report
December 10 th , 2025	TBD	Interest Rate Announcement



**Looking for more
advice specific to
your situation?**

Contact the mortgage
experts at Outline Financial
for a customized plan.

Outline Financial

T: (416) 536-9559

E: hello@outline.ca

W: www.outline.ca

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.

Outline Financial Accolades:

- 5-Star Google Rating – 700+ Reviews
- 2022 Global Best in Mortgage 2022 Report
- 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

Mortgage Brokerage Licence #13151

