

MARCH 12TH, 2025

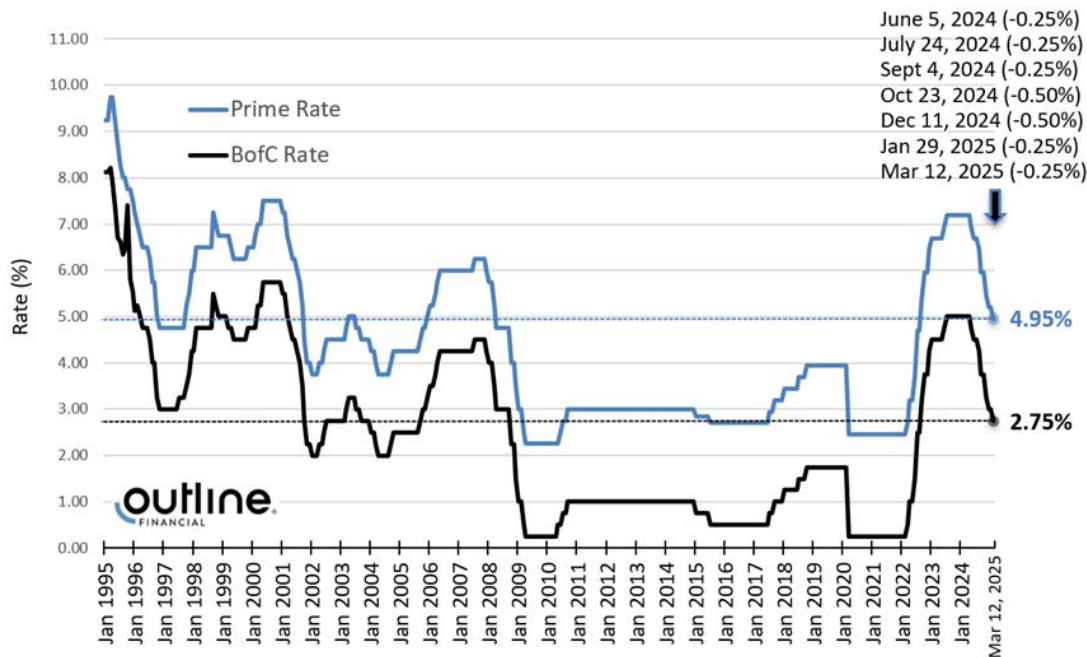
Seven in a row!

**The Bank of Canada
announces another
0.25% reduction.**

What could this mean for you?



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	TBD	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

The Bank of Canada reduces policy rate by 0.25% (25 basis points “bps”).



On March 12th, 2025 the Bank of Canada announced another decrease in its overnight rate. The Bank of Canada has lowered its rate for seven straight meetings, resulting in a cumulative drop of 2.25% (225bps) since June 2024. This brings the overnight rate to 2.75% and the prime rate to 4.95%, which are at the lowest levels since August 2022.

What could this combined 2.25% of rate drops since June 2024 mean for you?



If you have a variable rate mortgage with adjustable payments:

- You should see a combined decrease in your payments of about \$135 per \$100K of mortgage depending on your amortization.

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

- The interest portion will continue to decrease, and more of the payment will go towards the principal (unless you remain above your trigger point).

If you have a home equity line of credit:

- Your minimum payment should decrease by a combined amount of about \$180 per \$100K of HELOC balance.

If you have a fixed-rate mortgage:

- There is no immediate change, although it could positively impact your renewal options.

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 2.25%, 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).
- What if you have a fixed rate pre-approval? As fixed rates typically move in tandem with bond yields (which move in anticipation of a Bank of Canada rate change), the recent rate drops by the Bank of Canada were already priced in most fixed rates. That being said, if we see a continued expectation of further rate reductions, bond yields may decrease slightly as rate cuts become more imminent.

What Could This Rate Drop Mean For You In The Longer Term?

Are More Rate Cuts Expected?

- The short answer? Yes, it's likely. As of the time of writing, most economists and banks are projecting another 0.25% to 0.75% of rate reductions by the end of 2025. While the timing of future rate reductions are uncertain, most economists expect the Bank of Canada will continue on a rate cutting path.
- That being said, the Bank of Canada is currently facing a much higher level of uncertainty than usual. In its March 12th statement, the Bank of Canada acknowledged that "the economic outlook continues to be subject to more-than-usual uncertainty because of the rapidly evolving policy landscape."
- While further rate cuts are likely, given the current level of economic uncertainty, forecasts will need to be updated and reviewed regularly given the potential for upward or downward revisions.

Fixed or Variable?

- As the overnight 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 Impact Fixed Rates?

- As mentioned above, fixed rates are heavily influenced by government bond yields. Given that bond yields move "in anticipation of" a potential Bank of Canada rate change, the most recent 0.25% rate reduction was already priced in most fixed-rate approvals. That being said, if we see a continued expectation of further rate reductions, bond yields may decrease slightly as the rate cuts become more imminent.



Why Did the Bank of Canada (BoC) Lower Rates Again and What's Next?

To help answer this question, we've included some key takeaways below, along with links to the Bank of Canada press release, the Press Conference, as well as the opening statement from Tiff Macklem (Governor of the Bank of Canada).

Links to the Bank of Canada press release, press conference, and opening statement:

- Bank of Canada, March 12th press release [[click here](#)]
- Bank of Canada, March 12th the press conference [[click here](#)]
- Opening statement: Tiff Macklem (Governor of the Bank of Canada) [[click here](#)]

Why did the Bank of Canada decide to continue reducing rates?

- *"We ended 2024 on a solid economic footing. But we're now facing a new crisis. Depending on the extent and duration of new US tariffs, the economic impact could be severe. The uncertainty alone is already causing harm."* – Tiff Macklem opening statement
- *"Recent surveys suggest a sharp drop in consumer confidence and a slowdown in business spending as companies postpone or cancel investments."* – BoC press release
- *"Against this background, and with inflation close to the 2% target, Governing Council decided to reduce the policy rate by a further 25 basis points."* – BoC press release

What's Next for The Bank of Canada?

- *"Monetary policy cannot offset the impacts of a trade war. What it can and must do is ensure that higher prices do not lead to ongoing inflation."* BoC press release
- *"Looking ahead, the trade conflict with the United States can be expected to weigh on economic activity, while also increasing prices and inflation. Governing Council will proceed carefully with any further changes to our policy rate given the need to assess both the upward pressures on inflation from higher costs and the downward pressures from weaker demand."* - Tiff Macklem opening statement

Note: while the Bank of Canada does not provide rate forecasts, at the time of publication, most big banks and economists are forecasting a further 0.25% to 0.75% of rate cuts during 2025 bringing the overnight rate to between 2.00% to 2.50%. As these forecasts can change significantly and regularly, please reach out to a member of the Outline team for the most recent information.



For more details about the recent Bank of Canada rate cuts, the potential mortgage impact of tariffs, or to discuss which rate or product options might be right for you, please contact a member of the Outline Financial team as we are always on standby to help.



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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.

Outline Financial Accolades:

- 5-Star Google Rating – 500+ Reviews
- 2022 Global Best in Mortgage 2022 Report
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- 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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