

MNI Bank Of Canada Preview: Oct 2025

Announcement Date: Wed, 29 October

Decision / Opening Statements / Monetary Policy Report: 0945ET, **Press Conference:** 1030ET

MNI Review of September Meeting: https://media.marketnews.com/BOC_Review_Sept2025_f732a84a68.pdf

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MNI POV: Mixed Data Unlikely To Derail Cut

Oct 27, 2025 - By Tim Cooper

- The Bank of Canada is set to cut its policy rate by 25bp for a second consecutive meeting on October 29.
- The new 2.25% overnight rate would represent the bottom of the BOC's "neutral" estimate range (2.25%-3.25%), reflecting an environment in which economic slack has built amid the fallout from the US-Canada trade conflict but with trim/median inflation continuing to run at the high end of the BOC's target band.
- Overall the data remains volatile and mixed, with stronger-than-expected CPI and labour market data for September not enough to derail another cut amid increasingly muted private sector inflation expectations and a limited rebound in economic activity after Q2's sharp contraction.
- Overwhelming market and analyst conviction on a 25bp cut appears to understate risks of a rate hold, especially given the mixed inter-meeting data.
- But Gov Macklem appeared to give the green light to a cut in recent comments, and a cut should be considered much more likely than a pause.
- Macklem is unlikely to deliver any clear signals about future decisions at the press conference, keeping market pricing split between one further 25bp cut in the cycle vs no further easing.

With the data since the Bank of Canada's September meeting being relatively mixed and not pointing toward an obvious next move for monetary policy, MNI's Markets Team admits to being a little surprised by the conviction with which Canadian sell-side analysts (unanimous) and market pricing (85+% implied) expect a 25bp cut at this meeting. The BOC came out of September's decision to resume easing seemingly cautious on the prospect of further cuts, and while it maintained its easing bias it did not pre-commit to further easing.

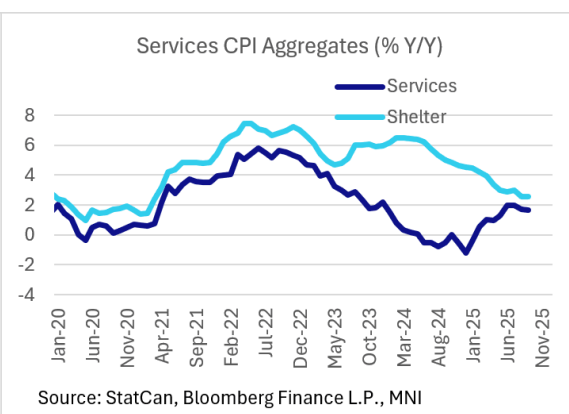
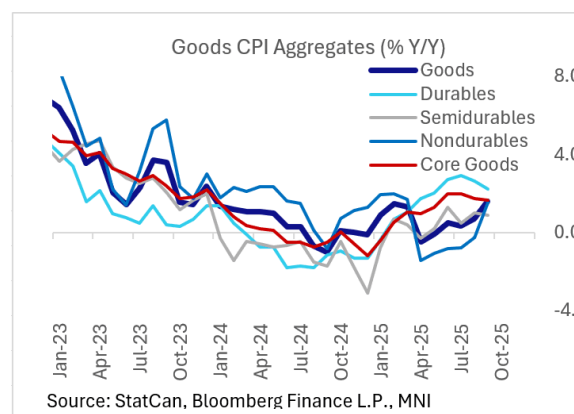
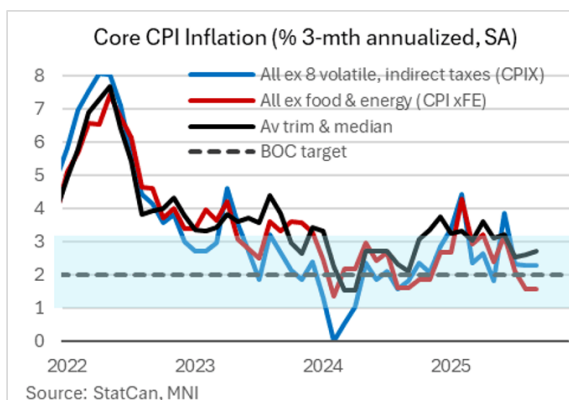
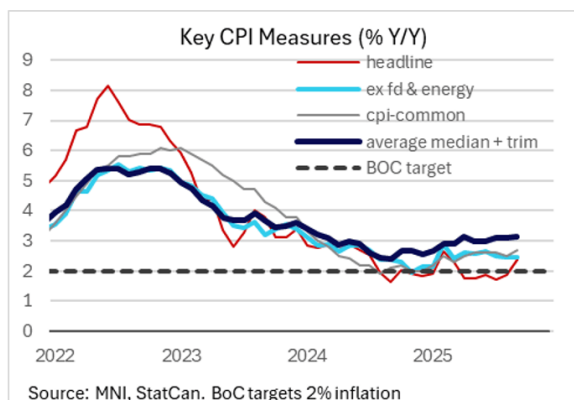
- Nonetheless the inter-meeting period has seen a ~12bp shift in market pricing in favor of a follow-up cut. Market pricing (OIS) is firmly for a 25bp easing on October 29: meeting-dated OIS implies an ~85+% probability of such a move. Beyond October, though, there remains little firm conviction on a further cut.

Meeting	Current	After September BOC Meeting (Sep 17)	Change since then	Cumulative Change From Current Rate (bp)	Incremental Chg (bp)
Oct 29 2025	2.30	2.43	-12.6	-21.5	-27.5
Dec 10 2025	2.22	2.35	-13.1	-30.1	-8.6
Jan 28 2026	2.16	2.31	-15.1	-36.0	-5.9
Mar 18 2026	2.13	2.28	-14.6	-38.5	-2.5
Apr 29 2026	2.11	2.24	-12.6	-40.5	-2.0
Jun 10 2026	2.11	2.23	-11.2	-41.1	-0.6
Jul 15 2026	2.12	2.23	-10.2	-39.4	1.7

We review the inter-meeting data below. In the end, while we think Governing Council will follow through with a 25bp cut, the case for further easing doesn't seem significantly improved vs mid-September when looking at the data alone:

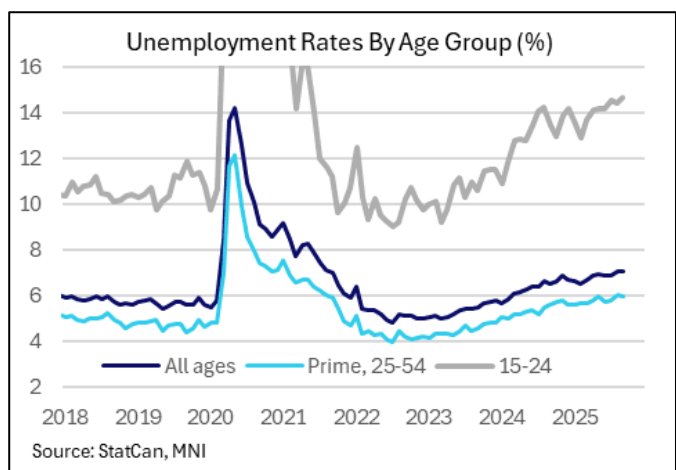
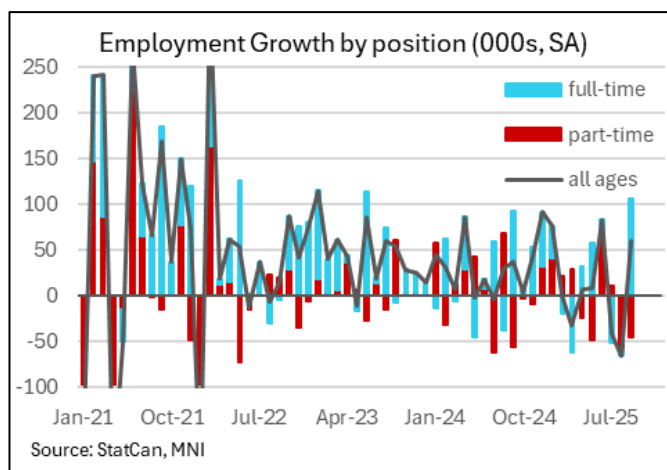
Core Inflation Stronger Than Expected: In the only inflation release since the last meeting, measures of core inflation came in stronger than expected in September across the board. Of particular note was the rise in the median/trim average measure, at a 5-month high 3.15% Y/Y in September vs median expectations of a decline to 3.0%. Note also that August's median reading was revised up to 3.2% from 3.1%, bringing up August's trim/median avg to 3.10% from a previously estimated 3.05%.

- The upward revision meant that instead of remaining steady or even making disinflationary progress on a 3 month annualized rate basis from 2.5% prior, September's trim/median avg 3m ar picked up to 2.7% with August revised up to 2.6% from 2.5%. Progress in this category had been seen as key to the broader perception of disinflation but now that narrative looks slightly shakier.
- We note however that core goods inflation is moderating with core services merely a little stickier, and it's been largely food/energy inflation and downstream effects thereof that spurred the tickup in overall CPI.
- Ex-food/energy Y/Y was steady at 2.44%, with the seasonally-adjusted reading ticking up to a 3-month high 0.19% M/M from 0.13% prior. The longer-term run rates aren't quite concerning, though still at 1.6% 3mma annualized in Sep (unch from Aug). This should temper the BOC's concern over the overall report as it considers various measures of core inflation when contemplating an October rate cut.
- More on the September inflation report [here](#) and [here](#) (MNI login required).



Labor Market Shows Signs Of Life: Additionally, the September Labour Force Report was much stronger than expected in most respects.

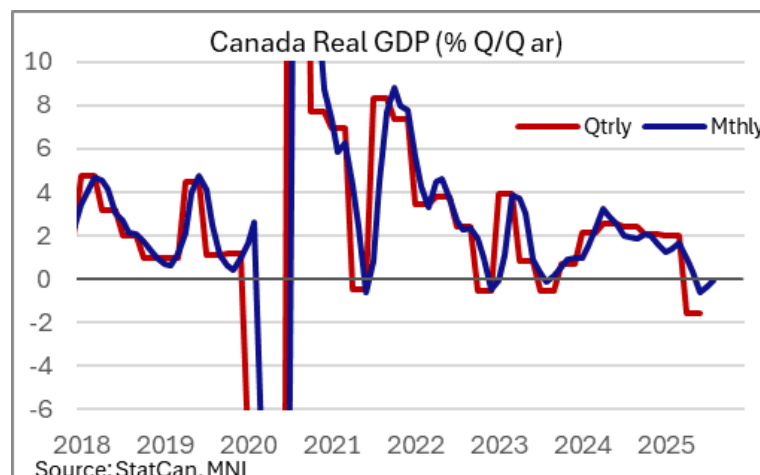
- The net change in employment of +60.4k defied consensus for a flat reading (5k) and was well outside the range of Canadian institutional analyst estimates compiled by MNI (-50k to +25k). It doesn't quite reverse the 106k combined drop in the previous months, with 46k fewer jobs in total over the last 3 months, but it at least brings the 6-month moving average back into positive territory (+9k, after -7k). Goods-producing employment rose by 42k (+2k prior), an 8-month best, on a 28k rise in manufacturing (also an 8-month best). Services were more mixed but still positive as a whole (+18k, -67k prior), marking just the 3rd month this year that both services and manufacturing employment rose. In this sense, it could provide some relief for the Bank of Canada that US trade dispute-related weakness is not spilling over too badly into non-trade sectors.
- The underlying details however don't fully convince that the labor market has hit a turning point in a positive direction, with a lot of unusual divergences that suggest a note of caution should be taken with the data. The unemployment rate ticked up to 7.10% unrounded from 7.07% prior - a fresh post-2016 (ex-pandemic rise) high, albeit only barely so. The number of unemployed rose for a 3rd consecutive month (by 12k to 1,607k) as the labor force increased by 72k, more than reversing the prior two months' drops. Additionally, aggregate hours worked fell for a 2nd month in 3, by 0.2% M/M, to land at a 4-month low. This leaves quarterly hours worked growth tracking around 0.4%, meaning that unless productivity impresses, Q3 growth is not likely to show a major resurgence after Q2's contraction.
- Overall we take a multi-month view on recent labor developments which points to flat-at-best employment dynamics, though the September report should assuage concerns over a more rapid deterioration. More detail on the September report [here](#), [here](#), and [here](#) (MNI login required).



Tepid GDP Recovery: Overall the economy looks to have begun to recover from the -1.6% Q/Q SAAR GDP print in Q2 but judging from the monthly data and estimates, as well as industry surveys, the Q3 growth rebound looks to remain tepid. Current Bloomberg consensus for Q3 growth is 0.5%, which looks close to the mark after these data and not far off the trajectory implied by the BOC's July Monetary Policy Report projections (under its unchanged tariff scenario) for a tepid H2 recovery.

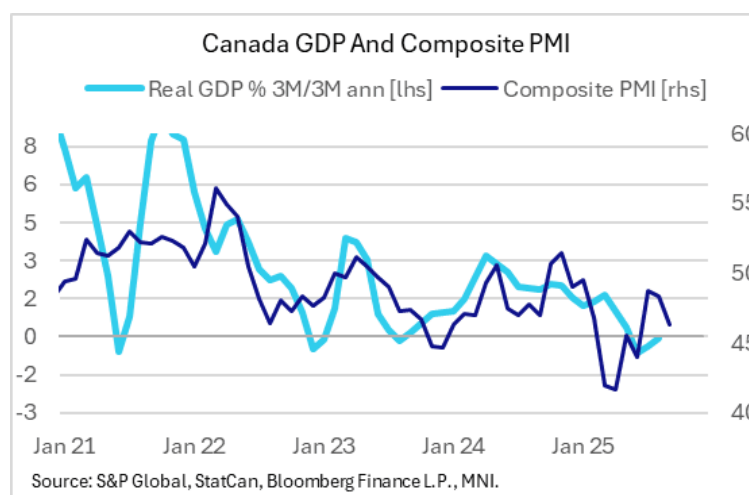
- Industry-level GDP came in at 0.2% M/M in July in real terms, exceeding the 0.1% expected by both consensus and StatCan's advance report, but growth looks to have flatlined in August.
- Retail and manufacturing sales data for August/September (flash) had mixed implications for Q3 growth. September's advance retail sales read (-0.7% M/M) was on the weak side, potentially suggesting a slowdown at the end of the quarter and continuing the recent volatile trend, though manufacturing sales looked more positive. Elsewhere, building permits fell more than expected in August when accounting for downward revisions, led by residential activity, an indication that one of the few brighter spots of growth in the Canadian economy is dimming.

- The Q3 BOC BOS suggested a soft demand and inflation outlook as well, even though most of the survey was conducted before the announcement that Canadian counter-tariffs on the US would be lifted.



Confidence Surveys Mixed: Canadian Services PMI pulled back in September to a 3-month low 46.3, from 48.6 prior. With the Manufacturing PMI indicator also showing a retracement (47.7 from 48.3), the Composite fell to 46.3 from 48.4 prior for a 3-month low. While the correlation with monthly GDP is not particularly strong, the overall trend in both is to slowing growth in both PMI and aggregate activity, with the sustainability in the late summer improvement looking doubtful.

- The Canadian Federation of Independent Business (CFIB) 12-month Business Barometer reverted in October back below the 50 level demarking expected improvement vs weaker performance, to 46.3 from 50.2 in September. This was the weakest reading since May, and the 7th sub-50 reading in the 10 months this year.
- On a more positive note, The Ivey Purchasing Managers Index soared to 59.8 in September from 50.1 in August, for easily the strongest reading since June 2024.



Macklem Comments Appear To Cement Cut: Of course the decision doesn't just come down to the incoming data - there are several factors which seem to have swayed market/analyst opinion in favor of a cut:

- The main factor that drove dovish pricing going into the decision was Gov Macklem's final pre-deliberations appearance on Oct 17 in which he appeared to take a pessimistic view of the latest labour data, characterizing recent job growth as "soft".

- As our Policy Team reported (see section below), Macklem sounded pessimistic about September's unexpectedly strong job gain, the major bright spot in economic data in recent weeks, saying it only reduced the net loss over the past three months, and mentioning Stellantis layoffs. General Motors and Stellantis in October cancelled production lines, which will likely lift unemployment. Macklem told reporters soft growth will add to slack and weigh on confidence. He said "The latest developments highlight that uncertainty remains elevated," in response to MNI's question. Overall this Macklem appearance was considered a clear steer toward expecting an October cut.
- Despite sticky trim/median inflation, the BOC appears to be increasingly discounting these as measures of overall inflation pressures (see comments later in this preview from Deputy Gov Rhys Mendes, including an MNI interview). We suspect the BOC will continue to signal "broader range of indicators, including alternative measures of core inflation and the distribution of price changes across CPI components, continue to suggest underlying inflation is running around 2½%."
- From a historical perspective: we've heard it argued by many analysts that the BOC typically doesn't cut rates at one meeting and then fail to follow up with another cut at the following meeting.
- Even with a 25bp cut, rates would be within the BOC's estimated 2.25-3.25% neutral range, leaving it arguable that policy isn't stimulative with a decision to ease more dependent on further evidence that economic slack is building and inflation is under control.
- Finally, news in the last week that the Trump administration was putting trade talks with Ottawa on hiatus – with the president threatening an additional 10% tariff on Canadian imports – reminded that while Canada still has had much more preferential terms to the US market than peers and than had been feared earlier in 2025, uncertainty over the trade outlook looms large, auguring for a cautious approach to monetary policy.
- Overall, Macklem is unlikely to deliver any clear signals about future decisions at the press conference, keeping market pricing split between one further 25bp cut in the cycle vs no further easing. Judging from the last press conference, we wouldn't be surprised to hear a few questions on the impact of fiscal policy, with PM Carney set to deliver an expansionary budget next week (though Macklem will probably defer answers until there is more clarity).

Monetary Policy Report: The BOC is set to release its quarterly Monetary Policy Report along with the decision. The most recent MPRs have eschewed central forecasts in favour of scenarios given elevated uncertainty over the US-Canada trade conflict, but officials have signalled the latest edition should mark the return to a normal forecasting framework.

- It's difficult to gauge expectations for the MPR, especially since the comparison is with prior scenario-based editions, but vs July we would not be surprised by a slight downgrade to 2025 GDP growth (1.3% in the "current tariff" central-ish scenario in July) with downward for 2026 (1.1% in July). For inflation, the 1.9% 2025 forecast with 2.0% in 2026 should be little changed vs July's current tariff scenarios.

	2024	2025	2026	2027
GDP (average annual growth)	1.6 (1.3)	1.3 (1.8)	1.1 (1.8)	1.8
Final domestic demand (percentage points)	2.1 (1.6)	2.1 (2.4)	1.8 (1.7)	2.0
Exports (percentage points)	0.2 (0.3)	-1.1 (0.6)	-0.1 (0.8)	0.9
Imports (percentage points)	-0.2 (-0.2)	0.4 (-0.7)	-0.3 (-0.8)	-1.1
CPI inflation (percentage change)	2.4 (2.4)	1.9 (2.3)	2.0 (2.1)	1.9

Source: BoC July MPR

Canadian Banks Unanimous On October Cut, Others See Hold Potential: All Canadian bank analysts expect a 25bp cut by the Bank of Canada on Wednesday to an overnight policy rate of 2.25%. The final holdout for a hold, BMO, changed its mind in a note on Friday.

- Meanwhile, we're aware of at least two non-Canadian bank analysts looking for the BOC to hold rates steady this week: BofA and Morgan Stanley.
- Overall the median expectation is for a terminal rate of either 2.00% (two cuts from today's level) or 2.25%, though opinion on timing of reaching those levels varies.
- See our table of analyst views later in this publication.

Key Inter-Meeting BoC Commentary

Speaker	Commentary Since Previous BoC Rate Decision
Tiff Macklem (Governor)	Oct 17 comments to reporters • MNI BRIEF: Bank of Canada Governor Tiff Macklem told reporters on Oct 17 he remains cautious about cutting interest rates again with continued shifts in U.S. trade policy and the domestic economy poised for "soft" employment and output growth. • Referencing a week of IMF meetings focused on new threats of tariffs and export controls between China and the U.S., Macklem said "the latest developments highlight that uncertainty remains elevated" and that "we are going to proceed carefully." • "We are continuing to watch those dimensions that we've highlighted for a while now" including trade and tariffs, business investment, employment and consumer spending, Macklem said in discussing how he will approach the next rate decision. • Canada's latest job report showing a surprising gain in employment of about 60,000 still leaves a net loss over the last three months of more than 40,000 jobs, he said during IMF meetings in Washington. • "The big picture you're seeing in the labor market is the heavily-tariffed sectors are being severely affected," he said. Elsewhere, there isn't much activity in either hiring or layoffs, Macklem said. • While worst-case scenarios for the global economy have been avoided uncertainty remains high, he said. The Bank will still be able to return to a more normal forecast this month for the first time since January, he said. • "The global economy has shown resilience, but we are starting to see the impact of U.S. tariffs and there are more impacts to come." Stock markets also seem "stretched" and corporate debt spreads are narrow, he said. • Returning to the trade disruptions, Macklem also said: "If the threats that are on the table were to materialize that would be very significant." • Bloomberg quotes: "The labor market, and the economy in general, it's not down sharply, but it is certainly soft... You've seen job losses in the heavily tariffed sectors. In the rest of the economy, you're really seeing very soft hiring. I think that's consistent with the fact that firms are feeling the uncertainty." Oct 16 remarks at PIIE: MNI BRIEF: Bank of Canada Governor Tiff Macklem said he will move policy carefully as the extent of damage from the U.S. trade war remains unclear, adding economic growth will be "soft" in the second half of this year. • While most Canadian goods still cross the U.S. border tariff-free, targeted items like autos, metals and lumber face steep levies and "that is having a very clear impact," Macklem told the Peterson Institute for International Economics in Washington.

Rhys Mendes (Dep. Gov)	Interview with MNI published Oct 3 (see Policy Team section below): Bank of Canada Deputy Governor Rhys Mendes told MNI the economy remains in flux from the U.S. trade war, making it difficult to assess if another interest-rate cut will follow September's reduction. Asked whether it would be unusual for the Bank to cut just once in response to a shock, Mendes said: "This environment is somewhat unique, and we're going to have to take our interest-rate decisions in this environment one at a time." "I can't pre-judge where we will end up." "Rents are coming down because market rents are lower than what's embedded in the CPI, because market rents only affect new rentals as people move or new rental contracts are established," he said. "That gives us some comfort that shelter inflation is continuing to moderate. At the same time when I look at non-energy goods, input cost growth has moderated." Speech at Ivey Business School on Oct 2 "Underlying inflation: Separating the signal from the noise" (link) "how we assess underlying inflation—including how we use measures of core inflation—is one of the themes we are looking at ahead of our 2026 renewal. Separating the signal from the noise is never an easy thing to do when it comes to inflation. But, in the current environment, it's more important than ever. ... measures of core inflation are not the whole story, but they are an important element. With this in mind, we're asking ourselves if there are ways we could improve our existing measures of core inflation."
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September 17 Rate Decision Statement

The Bank of Canada today reduced its target for the overnight rate by 25 basis points to 2.5%, with the Bank Rate at 2.75% and the deposit rate at 2.45%.

After remaining resilient to sharply higher US tariffs and ongoing uncertainty, global economic growth is showing signs of slowing. In the United States, business investment has been strong but consumers are cautious and employment gains have slowed. US inflation has picked up in recent months as businesses appear to be passing on some tariff costs to consumer prices. Growth in the euro area has moderated as US tariffs affect trade. China's economy held up in the first half of the year but growth appears to be softening as investment weakens. Global oil prices are close to their levels assumed in the July Monetary Policy Report (MPR). Financial conditions have eased further, with higher equity prices and lower bond yields. Canada's exchange rate has been stable relative to the US dollar.

Canada's GDP declined by about 1½% in the second quarter, as expected, with tariffs and trade uncertainty weighing heavily on economic activity. Exports fell by 27% in the second quarter, a sharp reversal from first-quarter gains when companies were rushing orders to get ahead of tariffs. Business investment also declined in the second quarter. Consumption and housing activity both grew at a healthy pace. In the months ahead, slow population growth and the weakness in the labour market will likely weigh on household spending.

Employment has declined in the past two months since the Bank's July MPR was published. Job losses have largely been concentrated in trade-sensitive sectors, while employment growth in the rest of the economy has slowed, reflecting weak hiring intentions. The unemployment rate has moved up since March, hitting 7.1% in August, and wage growth has continued to ease.

CPI inflation was 1.9% in August, the same as at the time of the July MPR. Excluding taxes, inflation was 2.4%. Preferred measures of core inflation have been around 3% in recent months, but on a monthly basis the upward momentum seen earlier this year has dissipated. A broader range of indicators, including alternative measures of core inflation and the distribution of price changes across CPI components, continue to suggest underlying inflation is running around 2½%. The federal government's recent decision to remove most retaliatory tariffs on imported goods from the US will mean less upward pressure on the prices of these goods going forward.

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 risks. Looking ahead, the disruptive effects of shifts in trade will continue to add costs even as they weigh on economic activity. Governing Council is proceeding carefully, with particular attention to the risks and uncertainties. Governing Council will be assessing how exports evolve in the face of US tariffs and changing trade relationships; how much this spills over into business investment, employment, and household spending; how the cost effects of trade disruptions and reconfigured supply chains are passed on to consumer prices; and how inflation expectations evolve.

The Bank is focused on ensuring that Canadians continue to have confidence in price stability through this period of global upheaval. We will support economic growth while ensuring inflation remains well controlled.

MNI Bank of Canada Data Watch List

		Current	3m ago	3m Chg	6m ago	6m Chg	2Y History	Hit / Miss	Vs Trend	Surprise Index	Z-Score
Inflation											
CPI	% y/y	2.4	1.9	↑	2.3	↑					0.09
Core CPI - Median	% y/y	3.2	3.0	↑	2.9	↑					1.06
Industrial Product Price	% m/m	0.8	0.4	↑	0.2	↑					1.09
Breakeven 10-Year	%	1.92	1.97	↓	1.86	↑					0.04
Economic Activity											
PMI Manufacturing	Index	47.7	45.6	↑	46.3	↑					-0.41
GDP	% m/m	0.2	-0.1	↑	0.4	↓					0.64
Manufacturing Sales	% m/m	-1.02	-1.51	↑	-0.52	↓					-0.37
Trade Balance	CAD bn	-6.32	-5.59	↓	-1.65	↓					-0.76
Monetary Analysis											
M3 Money Supply	% y/y	4.45	5.06	↓	6.43	↓					-1.19
Bank Lending Survey (Q)	% m/m	0.67	1.51	↓	-1.89	↑					-0.67
New House Prices	% m/m	-0.2	-0.2	→	0.0	↓					-0.23
Housing Starts	K	279.2	282.3	↓	214.3	↑					0.55
Consumer / Labour Market											
Retail Sales	% m/m	1.0	-1.2	↑	-0.7	↑					0.94
Retail sales Ex-Autos	% m/m	0.7	-0.3	↑	0.6	↑					0.56
Employment Chge m/m	K	60.4	83.1	↓	-32.6	↑					1.15
Ave Hourly Wage Rate	% y/y	3.61	3.16	↑	3.46	↑					0.29
Markets											
S&P/TSX Composite	Index	30353	26857	↑	24918	↑					2.21
Canadian 10-Year Yield	%	3.09	3.27	↓	2.97	↑					0.01
CAD Yield Curve (2s-10s)	bps	70.9	68.2	↑	51.1	↑					0.75
CAD TWI	Index	114.14	116.83	↓	111.91	↑					-0.15

Note: For quarterly data the 3m ago column will display the previous data point and the 6m ago column will display the data point prior to that.

Source: MNI, Bloomberg Finance L.P.

MNI Instant Answers

We have chosen the following questions for our Instant Answers service with the BoC decision at 0945ET:

- Overnight Rate Target (%)
- Does the Bank signal it is prepared to lower rates in the future?
- Does the Bank say lower interest rates will likely be needed in the future?
- Does the Bank signal it intends to leave rates on hold?
- Does the Bank mention core or underlying inflation has been elevated?
- Does the Bank say it may be less forward looking with policy?

Analyst Expectations And Key Comments

Analyst BoC Policy Rate Expectations

Analyst	October	Terminal (if known)	Rate path/broader comments
Median	25bp cut	2.25%	
Canadian institutions			
National	25bp cut	2.00%	At least one more 25bp cut in the cycle. "History suggest that it's rare for the Bank to come off the sidelines to cut, only to retreat to the sidelines again. We believe this can be extended to October's decision, especially with accumulated economic slack....As far as guidance is concerned, don't expect the Bank to 'tee up' another cut. Instead, they will continue to retain optionality by striking a data dependent stance. Implicitly, a dovish bias may remain, consistent with recent comments by the Governor. Earlier this month, he downplayed the "volatile" September jobs report and stressed that near-term growth would be "soft", below potential."
BMO	25bp cut	2.00%	One further 25bp cut beyond October. "With the trade uncertainty unlikely to dissipate anytime soon and eventually carving further into activity, we continue to believe that it makes perfect sense for rates to go to the very low end of neutral, or even a bit below to support the economy through this difficult episode. We just happened to believe that sticky core inflation may somewhat slow the pace of cuts, but can't at all disagree with the direction."
Desjardins	25bp cut	2.00%	One further 25bp cut beyond October. "Recent data and commentary from central bankers have highlighted weakness in the Canadian economy, which suggests that further stimulus is warranted. The recent uptick in headline inflation shouldn't deter policymakers, given that it was largely driven by strong readings in volatile categories. As the Bank of Canada has mentioned recently, policymakers try to separate the signal from the noise. Our analysis suggests that underlying inflation remains relatively stable at roughly 2.5% despite the unexpected move in headline price growth. While the upcoming federal budget is likely to signal an increase in fiscal stimulus, those dollars might not hit the economy anytime soon."
CIBC	25bp cut	2.25%	No further cuts. "a small upside surprise in inflation shouldn't faze a forward-looking Bank of Canada, with ample economic slack providing downward pressure on inflation ahead. A second consecutive quarter point cut next week will only nudge monetary policy into slightly stimulative territory. That could be the final resting spot for this cycle, assuming Canada is able to reach a trade deal that extends the current tariff free access for USMCA-compliant goods outside items hit by sectoral tariffs."
TD	25bp cut	2.25%	No further cuts. "The Bank of Canada has a history of moving back to back coming off a long pause, but some recent strength in top-tier economic data alongside considerable uncertainty around the extent of new spending in the upcoming federal budget raise the question of why the Bank should cut again in October instead of pausing for more clarity. The option to cut would still be there on December 10th, but we believe if the Bank was that concerned about expansionary fiscal stimulus contributing to an inflation overshoot, the argument for a pause ought to apply to the September decision as well. The Bank has also acknowledged that it already took more government spending into account for its last decision."
RBC	25bp cut	2.25%	No further cuts. "We continue to expect that further cuts to the overnight rate to more stimulative levels would be increasingly difficult to justify when core inflation is running persistently above target, barring a significant further deterioration in growth that is not in our base case forecast."
Scotiabank	25bp cut	2.25%	No further cuts, hikes start H2 2026. "The way to balance the pros and cons to cutting at this meeting may be through a generally neutral-hawkish sounding and noncommittal bias. That could be as simple as continuing to strike out the reference in the July statement to how "there may be a need for a reduction in the policy interest rate" as they did in the September statement or strengthening this message in such fashion as to indicate more gradual assessments in future."
Other institutions			
BNY Mellon	25bp cut	2.00%	"The November Monetary Policy Report will feature explicit forecasts after having eschewed them in its previous report in July. This may indicate what to expect for December, although we think there will be another cut, even if the market is less certain."
BofA	Hold	2.00%	Cuts in Dec and Jan: "The (October) decision (to hold rates) will likely be driven by persistently elevated core inflation-both measures remain above 3.0%-and a strong rebound in Sep's labor market report (+60.4k net job gains). Despite these developments, the broader economy remains weak, with the unemployment rate above its likely natural level.... The main risk to our forecast lies in timing: the BoC could opt to cut in Oct if it chooses to look through sticky core inflation. "
ING	25bp cut	2.00%	Final 25bp cut in February. "While the October statement and guidance may lean slightly more hawkish than September's, we believe it will be difficult for the BoC to signal the end of the easing cycle"
Wells Fargo	25bp cut	2.25%	Terminal rate reached in October. " we would not be surprised if policymakers opt to hold rates steady and instead deliver a cut in December, particularly if they choose to wait for further confirmation of disinflation, labor market softness and forward guidance from the Federal Reserve."
GS	25bp cut	2.25%	Terminal rate reached in October. "Recent communication has skewed dovish, the labor market remains soft, and the BoC likely reopened the cutting cycle with a baseline for more than one cut. Renewed uncertainty around US tariff presents headline risks, but the near-term economic impact may be more limited. Once the BoC reaches what we expect to be the terminal rate, attention will focus on the upcoming budget (to be presented on November 4th), with general expectations for an increase in the deficit of around half a percent of GDP....details will be important, including the timing and nature of additional spending and the extent this may see a near-term lift to growth."
Rabobank	25bp cut	2.25%	"We believe the risk to our view is skewed in favor of two more cuts this year over none."
JPM	25bp cut		
SEB	25bp cut		"Soft economic indicators and cautious policymaker comments contrast with firm inflation readings, creating a delicate balance between supporting growth and controlling inflation. The Bank likely will ease rates cautiously from the current 2.5%, with hawkish guidance possibly steepening the yield curve."
Morgan Stanley	Hold		Cut in December.

Correct to the best of MNI's knowledge as of Oct 27 2025, Sorted by lowest to highest terminal rate

MNI Policy Team Insights

MNI BOC WATCH: 2nd Cut As Auto Jobs Drop, Cool Enough Inflation

By Greg Quinn (Oct 23)

OTTAWA - Bank of Canada Governor Tiff Macklem is set to cut rates at a second consecutive meeting Wednesday, according to an MNI economist survey, with layoffs at automakers targeted in Donald Trump's trade war appearing a bigger risk than core inflation at the top of his target band.

General Motors and Stellantis have canceled production lines in the past week, which will likely lift unemployment already at the highest in a decade excluding the pandemic. Output was already seen barely recovering from a Q2 contraction and Macklem told reporters Friday soft growth will add to slack and weigh on confidence.

"The latest developments highlight that uncertainty remains elevated," Macklem said at IMF meetings in response to MNI's [question](#). He also sounded pessimistic about September's unexpectedly strong 60,000 job gain, the major bright spot in economic data in recent weeks, saying it only reduced the net loss over the past three months, and mentioning Stellantis layoffs.

Year-to-date job creation is the worst since the 2009 global financial crisis and the merchandise trade deficit has never been wider.

Deputy Governor Rhys Mendes told MNI in a recent interview the Bank must remain cautious given competing inflation and growth risks. Fifteen of 17 economists surveyed by MNI see a 25bp cut on Oct. 29, followed by perhaps one more in coming months. That would barely take the policy rate now at 2.5% into stimulative territory, based on the Bank's estimate of the neutral rate at between 2.25% and 3.25%. (See: [MNI INTERVIEW: Further BOC Cut Unclear In Trade War Fog-Mendes](#))

SLACK REMAINING CONSIDERABLE

Minutes from the last meeting showed some officials saw inflation as the key danger. Core indexes have held around 3%, the top of the Bank's band around its 2% target, mostly on housing and food costs that were a problem before the trade war. The Bank's recent public remarks highlight a broader concept of trend inflation and downplayed its preferred core measures.

"Inflation continues to run above the BoC's 2% target, but that was also true when the central bank cut the overnight rate in September," wrote Abbey Xu of RBC.

What also keeps inflation from dominating the outlook is the idea officials are in a phase of managing the biggest risks from shifting U.S. trade demands rather than being data dependent. While consumers [see](#) inflation staying elevated, two-thirds of households polled by the Bank also predict a recession.

While that's more pessimistic than the forecast of the Bank and economists surveyed by MNI who see a rebound from the Q2 GDP contraction, investors see weakness pulling inflation toward target. Bank officials also say trend inflation is more like 2.5%, a pace economists say allows rate cuts.

Canadians are still frustrated with the jump in the cost of living after pandemic shutdowns and allowing it to build up again is a risk to the Bank's reputation. Former BOC Governor and now Prime Minister Mark Carney is also adding what the opposition calls fuel to the fire with reports his Nov. 4 budget will balloon to CAD100 billion, double the highest ever outside the pandemic.

Deficit spending will fill the hole created by the trade war rather than fuel inflation according to economists. "Slack in the economy is expected to remain considerable. If the BoC choose to stay on hold, they it would only to delay the reduction," wrote Charles-St Arnaud, Alberta Central economist and former BOC researcher.

MNI INTERVIEW: Canada Truckers See Worst Slump In Four Decades

By Greg Quinn (Oct 9)

OTTAWA - Canadian truckers are selling their rigs and filing for bankruptcy as the U.S. trade war creates the worst market in four decades with damage spreading through the whole economy, the head of the industry's lobby group told MNI, suggesting one of the central bank's concerns about the downturn's scale is being realized.

"Canada-U.S. trade is the lifeblood for the Canadian economy. And I would say that in the last 12 to 18 months, we have had the worst freight economy for our members in 30 to 40 years," said Canadian Trucking Alliance President Stephen Laskowski. The group has 4,500 member firms and the industry carries the bulk of U.S. exports across the border, two-way trade worth CAD1 billion a day before the trade dispute.

Tariffs ranging from 25% to 50% on items from cars to aluminum are weighing on industry revenue, employment and investment, he said. The prospect of delaying a trade deal resolution into next year's technical review of the North American trade pact means there's no end in sight, Laskowski said after testifying to a House of Commons committee Tuesday. He spoke to MNI just after Prime Minister Mark Carney left a meeting with President Donald Trump with no trade breakthrough.

"There is discussion that the next CUSMA agreement will look very different than previous. That sent shockwaves through my industry, because the vast majority of my members rely on north-south trade for their business," he said.

NO ONE'S BUYING TRUCKS

"No one's buying trucks," he said. "They don't need more drivers at this time. They don't need more trucks and trailers, they're facing the worst demand for their services in thirty, forty, years. You're seeing bankruptcies." (See: [MNI INTERVIEW: Job Losses To Rise Even With BOC Cut-Union Boss](#))

Four decades ago, Canada was coming out of a protracted slump made worse by painful tax hikes and government cutbacks. Fear that inflation would take off also pushed the BOC to become the first G7 central bank and the second after New Zealand to adopt numerical inflation targets.

The Bank last month cut its key rate 25bps to 2.5% and withdrew a phrase about potential easing as it weighs elevated core inflation against weak exports and investment. It's clear to Laskowski the downturn has "absolutely" spread far beyond trade-sensitive industries like manufacturing. (See: [MNI INTERVIEW: Further BOC Cut Unclear In Trade War Fog-Mendes](#))

"If less people go to a restaurant that's less food to move to the restaurant, that's less freight in a truck," he said. "If they're not buying TVs and stereos, again that's less retail items moved by truck."

WEAKER AND WEAKER

"And as this tariff war continues and the economy becomes weaker and weaker, my members become weaker and weaker because they serve all aspects of the economy," he said.

Trump's comments to Carney about the U.S. seeking to compete rather than cooperate with Canada in sectors like autos suggests permanent damage, Laskowski said.

"The great fear is starting to be realized. Customers of my members are starting to have hard conversations about their presence in the north-south lanes," he said.

Carney and provincial leaders are doing some good work seeking to erase domestic trade barriers, he said. "Although all the excellent work that is undergoing with regards to internal trade barriers will help, it won't be enough."

MNI INTERVIEW: Further BOC Cut Unclear In Trade War Fog-Mendes

By Greg Quinn and Lovenia Patandin (Oct 3)

OTTAWA - Bank of Canada Deputy Governor Rhys Mendes told MNI the economy remains in flux from the U.S. trade war, making it difficult to assess if another interest-rate cut will follow September's reduction.

Asked whether it would be unusual for the Bank to cut just once in response to a shock, Mendes said: "This environment is somewhat unique, and we're going to have to take our interest-rate decisions in this environment one at a time." (See [MNI INTERVIEW: Canada Needs More Than One Rate Cut-Ex Dep Lane](#))

"I can't pre-judge where we will end up," he said in an interview Thursday. The Bank lowered the policy rate to 2.5% from 5%, with seven consecutive moves from last June to March, resuming again last month after three meetings on hold. Economists surveyed by MNI predict one or two more quarter-point moves by early 2026.

"We're facing an environment that has the potential to evolve very rapidly. So we're taking a shorter horizon," Mendes said. "Usually when we try to think about policy, we tend to look fairly far into the future because it takes time for monetary policy to have its full effect."

"We've tried to emphasize that in thinking about the impact of the trade war we're going to be looking number one at the impact on exports but then how that spills over to the broader economy, to employment and spending."

NO SAFE HAVEN

With Canada dropping most retaliatory tariffs, Mendes says more attention can be paid to the spillover effect of global trade disputes. "It's not so much the retaliatory tariffs that are going to cause a boost to inflation, but there is a question around how the reconfiguration of trade as a result of U.S. tariffs, not just on Canada but more broadly, may affect costs and may push up inflation," he said.

Canada's economy shrank in the second quarter, and the Bank sees growth at about an annualized 1% over the second half of 2025. Canada's dollar has been fairly stable, breaking an historic pattern of depreciations in response to shocks, though Mendes suggested its resilience appears tied to weakness in the greenback.

"We didn't see the U.S. dollar playing its usual safe-haven sort of role," he said. "There has been lots of discussion in markets around diversification beyond U.S. assets, we've seen increased hedging of U.S. dollar exposures."

"It's more that the shift in perceptions about the U.S. dollar has caused it to behave differently and that's why we haven't seen sort of what economists might have normally expected for the Canadian dollar."

Mendes spoke after a [speech](#) outlining potential changes to how the Bank will track core inflation after next year's framework review. Mendes stressed officials always watch a broader range of indicators than preferred core inflation indexes.

DIGGING INTO CORE DETAILS

"We do an assessment of where underlying inflation is, but then we also try to think about the likely dynamics going forward, and to get a sense of those dynamics we dig into the details," he said. Underlying inflation has been closer to 2.5% than the 3% in core CPI indexes, and Mendes said evidence shows two big drivers of inflation are fading--shelter and goods ex-energy.

"Rents are coming down because market rents are lower than what's embedded in the CPI, because market rents only affect new rentals as people move or new rental contracts are established," he said. "That gives us some comfort that shelter inflation is continuing to moderate. At the same time when I look at non-energy goods, input cost growth has moderated."

The Bank is reviewing whether to abandon the preferred core indexes label or to highlight a wider array of trend measures. Asked whether it would be simpler to use CPI excluding food and energy, he said: "We are trying to on the one hand to have the best measures that we think we need to inform our decision making, while at the same time in other ways ensuring that our communications are accessible to the broader public." ([See: MNI INTERVIEW: True Inflation Trend Hard To Pin Down- StatsCan](#))

Global frictions threaten to disrupt not just inflation but price expectations, he said. "If we're in a more shock-prone world where inflation itself could be more volatile, increased inflation volatility could also just cause increased volatility in inflation expectations."

MNI INTERVIEW: True Inflation Trend Hard To Pin Down- StatsCan

By Greg Quinn (Sep 29)

OTTAWA - Canada's chief statistician told MNI that underlying inflation trends are hard to measure given structural changes in the economy, and no core index perfectly captures the true path of price pressures through shocks over time.

His comments highlight a key question facing Bank of Canada officials considering an overhaul of three measures they've cast doubt on this year, while cutting interest rates as growth slows and some prices remain elevated.

"To get to the core is really tricky business," Andre Loranger said in an interview. "It's prudent to look at different measures, which is why we work with the Bank to produce the core -- the median, the trim and the common -- because they give different perspectives of what the underlying price trend is."

Policymakers say next year's framework review will [examine](#) what core measures are most robust to structural changes and whether elevated housing prices amount to a distortion. The current three core indexes followed other attempts to capture underlying prices. ([See: MNI INTERVIEW: Surge Pricing Mandate Would Aid BOC- Andolfatto](#))

"To get a deeper understanding I think it's very useful to look at these other measures," he said. ([See: MNI: Trudeau Deficits, Not BOC, Drove Covid Inflation- CD Howe](#))

Loranger has long experience looking at inflation having started at the agency in 1997 and working in branches dealing with producer prices and national accounts. The question of finding robust core measures has become more pronounced in a time of shifting global tariffs, supply chains and extreme weather events, he said.

CUTBACKS

Statistics Canada staff have frequent meetings with Bank officials and the chief statistician meets the Governor each year to discuss data quality, but decisions on any revisions to the Bank's preferred measures are up to them, he said. ([See: MNI INTERVIEW: Canada Needs More Than One Rate Cut-Ex Dep Lane](#))

The agency also has a close relationship with U.S. agencies and so far there's no sign of issues related to President Donald Trump's cutbacks and firing of top officials, [Loranger](#) said.

"The U.S. organizations are high caliber statistical organizations so I would expect that the quality of their statistics would not suffer," Loranger said. "Obviously, in times of budget reductions, you have to sort of think about well what is the impact."

SEAL OF APPROVAL

Prime Minister Mark Carney also wants program spending cuts of up to 15% and StatsCan has sent in proposals ahead of the Nov. 4 budget, Loranger said. Asked if economic figures would be cut he said "a lot of the economic statistics that we produce are fundamental."

While StatsCan began publishing flash estimates of monthly GDP and retail sales in recent years it doesn't plan to follow the University of Ottawa and the Chamber of Commerce in creating a growth nowcast, Loranger said.

StatsCan partners with the Chamber on some data issues but it's best for a government agency to avoid its own economic forecasting, he said. "The closer you get to a nowcast estimate, the more you have to rely on modeling, and the more the likelihood is of bigger revisions, which our users really don't like."

Another major challenge to public perceptions is a world awash in [disinformation](#), Loranger said, making it important for StatsCan to do better at showing the public its data is trustworthy. "Putting a seal (stating) 'this is a certified number that comes from the Canadian government, from a statistical organization' would be very useful in combatting misinformation."

MNI INTERVIEW: Canada Needs More Than One Rate Cut-Ex Dep Lane

By Greg Quinn (Sep 22)

OTTAWA - The Bank of Canada needs to cut interest rates further in coming months even after dropping guidance pointing for more stimulus, former deputy governor Tim Lane told MNI, pointing to economic damage from U.S. tariffs and unusual currency strength restraining inflation and growth.

"It's rare that there's only one cut," in an economic slowdown, Lane said. Governor Tiff Macklem lowered the key rate a quarter point to 2.5% Wednesday and dropped a phrase about potential easing. "There has been a shift in the balance of risks and I think typically that would be associated with possibly more than one cut."

Reasons for the BOC's caution include Donald Trump's unpredictable trade demands which led the Bank to abandon a regular forecast in favor of economic scenarios, Lane said. Canada's prospects have weakened but more time is needed to see if elevated core inflation settles down and how companies and households adapt to tariffs, he added.

"Given the fluidity of the situation I think it's not surprising that they don't want to do anything looking like they're on an escalator," of rate cuts, Lane said. "It's still something that has to be engaged with each meeting."

Before the trade war Canada sent three-quarters of exports to the U.S., supporting about one in 10 Canadian jobs. Canada's trade deficit has reached record highs and unemployment is the highest in a decade outside the pandemic.

KEEPING EXPECTATIONS LOW

Another drag is the Canadian dollar's resilience this year, a break from its past "shock absorber" role where it often plunged in downturns, boosting demand for exports while making imports more expensive. The "loonie" has climbed to about 72 U.S. cents from 69 cents this year, though it has weakened about a cent since July.

"If the Canadian dollar were depreciating more, then you would see more of the upside risks on inflation," Lane said. "There's a bigger negative impact on the real economy from unemployment and output from the tariffs and the related uncertainties." (See [MNI INTERVIEW: Job Losses To Rise Even With BOC Cut-Union Boss](#))

Lane, also a former IMF official, agreed some of the Canadian dollar's resilience relates to Donald Trump's moves to reshape the Federal Reserve and statistical agencies. "So far that's been reflected a little bit in the dollar and longer-term bond markets, but you can certainly well imagine a tipping point where there would be a much bigger shift of activity out of the U.S. dollar. And if that were to happen, there could be quite massive effects on the global economy."

U.S. trade tensions have spurred action to boost Canadian competitiveness, Lane said, though he echoed Governor Tiff Macklem's comments from a podcast last week about a questionable track record following through on tough reforms. "It could be one of these situations where we actually can use that external threat productively," Lane said. "If it does help us get our act together, that's a mitigating factor but things aren't going to be better than they were before."

Macklem won't be tempted to slash rates so much it threatens his single inflation mandate, Lane said, noting some work remains to get core CPI firmly back down. Some measures of price expectations remain somewhat elevated from the post-pandemic surge, he said. "After an episode like this the central bank can't let expectations ramp up." (See [MNI INTERVIEW: Mild Stimulus Cures Canada Recession- Ex-Clerk](#))

MNI INTERVIEW: Job Losses To Rise Even With BOC Cut-Union Boss

By Greg Quinn (Sep 18)

OTTAWA - Unemployment will keep rising from the highest in a decade even with the Bank of Canada returning to interest rate cuts, so the next federal budget must cushion damage from the U.S. trade war, the head of the country's biggest union group told MNI.

"We need more than just a rate cut in order to actually stimulate the economy to create those jobs and to safeguard the jobs," said Bea Bruske of the Canadian Labour Congress, which represents three million of the country's 21 million workers, in an interview.

"I'm very worried that the trade impacts will really be felt this fall when employers are working off the order books and there's no new orders coming in. And so we're going to be seeing a continuing spike in unemployment."

The jobless rate has climbed from 6.6% in January to 7.1% in August and that's the [highest](#) in almost a decade excluding the pandemic. Bank of Canada Governor Tiff Macklem [cut](#) the policy rate 25bps to 2.5% Wednesday and the decision said hiring weakness has spread beyond industries like autos and steel bearing the brunt of U.S. tariffs. Before the trade war began U.S. exports accounted for about one in 10 jobs.

Weakness is intensifying from sluggish hiring to layoffs, Bruske said. "I absolutely expect to see more layoffs happening. We are hearing this from our union partners" based on talks with employers, she said.

NEED TO DO MORE

"We will see unemployment rising. When we see Windsor and Oshawa at double-digit unemployment numbers already, when we see youth unemployment spiking to almost 15%, that is an indication that we need to do more," she said. Windsor and Oshawa are home to major auto assembly lines.

Governor Macklem said that while "we're not expecting a recession" growth of about 1% in the second half of this year won't feel good to many Canadians. He declined to repeat guidance about possibly lowering rates again and said fiscal policy is better at shoring up specific industries.

Finance Minister Francois-Philippe Champagne says his Nov. 4 budget will curb program spending to free up cash for "generational investment" making Canada more resilient against U.S. trade disruptions. That approach will hurt the job market because it suggests reductions of perhaps 10,000 public service posts and spending on other support programs by as much as 15%, Bruske says. (See: [MNI: Carney Deficits Are Bulwark Against Big Macklem BOC Cuts](#))

The government "can't cut our way" out of the situation, she said. "Fiscal action from the government is clearly needed, what I'm very concerned about is that this government is talking about cuts to public service."