mni

All Signal, No Noise

MARKET ANALYSIS

MNI Bank Of Canada Review: July 2025

CONTENTS (CLICK TO VIEW)

MNI View: Dour Outlook Keeps Door Open To Cuts

July 30, 2025 - By Tim Cooper

The Bank of Canada held its overnight rate at 2.75% at the July meeting as widely expected. Overall the decision was taken mildly dovishly by markets, which priced in a slightly higher possibility of a rate cut by year-end.

- While Gov Macklem noted in the press conference that the situation faced by Governing Council hadn't really changed since the June meeting, the rate decision statement cast a dovish tilt on developments since the start of the year as a whole.
- In particular, the BOC noted "The unemployment rate has moved up gradually since the beginning of the year to 6.9% in June and wage growth has continued to ease. A number of economic indicators suggest excess supply in the economy has increased since January." Indeed Macklem highlighted that output appeared to be permanently impaired by sustained US-Canada trade tariffs.
- With the BOC emphasizing excess supply increasing, while simultaneously playing down June's data showing a pullback in the unemployment rate and continued high core inflation, the takeaway from the initial communications leaned dovish. This was reflected in rate markets that at one point post-decision added about one-quarter's worth of a 25bp rate cut (6bp) by year end.
- A slightly more ambiguous dovish development was the inclusion in the rate statement of "If a weakening economy puts further downward pressure on inflation and the upward price pressures from the trade disruptions are contained, there may be a need for a reduction in the policy interest rate" which appeared in a slightly different form in Macklem's press conference statement in June. That appeared to ensconce the easing bias more firmly in the official communications.
- That said, overall the communications were fairly balanced, perhaps to be expected given the high degree of uncertainty. Macklem and the statement for instance noted the resilience of the Canadian economy amid US-Canada tariff conflict.
- And as Macklem reiterated, "it's hard to be as forward looking as usual when you've got an unusual amount of uncertainty", pointing out the multiple scenarios outlined in the updated Monetary Policy Report. He said "we're going to take our decisions one decision at a time, and our future decisions are going to depend what happens in the future."
- Overall the BOC's concern about growth appears to keep open the possibility of a rate cut, with some analysts continuing to eye potentially as soon as September – though as before, this is likely to require some bad news in trade developments and / or in the data.

BOC Pricing Shifts Slightly Dovishly

There was a dovish repricing in the BOC rate path through the decision and the press conference, with year-end implied rates falling from 2.60% pre-decision (around 15bp of cuts) to 2.54% (21bp) heading into the press conference, settling a little above that (2.57%, 18bp) following the presser. There's still only very limited chance seen of cuts in September and October, however.

	Pre-decision	Pre-press conference	Post-press conference
Jul 30 2025	2.73		
Sep 17 2025	2.69	2.68	2.69
Oct 29 2025	2.64	2.61	2.63
Dec 10 2025	2.60	2.54	2.57

BOC Links:

- Rate announcement
- Press conference opening statement
- Monetary Policy Report

Instant Answers For BOC Rate Decision

- Overnight Rate Target **(2.75%, unchanged, as expected)**
- Does the Bank signal it is prepared to LOWER rates in the future? **Yes**
- Does the Bank reiterate it could LOWER rates if the economy weakens amid tariffs and inflation is contained? **No**
- Does the Bank signal it is prepared to RAISE rates in the future? **No**
- Does the Bank signal it intends to leave rates on hold? **Not answered**

Key Changes In The Rate Decision Statement

A key change in the BOC policy statement is the addition of "If a weakening economy puts further downward pressure on inflation and the upward price pressures from the trade disruptions are contained, there may be a need for a reduction in the policy interest rate."

- Such language referring to a possible "need" to cut rates did not appear in the June rate statement, so at first glance this is a dovish development, making Governing Council's easing bias more explicit.
- But very similar language did appear in Governor Tiff Macklem's press statement in June with a slightly lower bar to cuts.
- The inflation condition has now been escalated to add "downward pressure on inflation" from prices just needing to be "contained", suggesting a higher bar to cut now vs what Macklem noted in the last meeting. That being said, "further" downward pressure suggests that the BOC is looking through the recently-elevated core inflation readings in favour of sub 2% headline readings.
- In June, Macklem's statement noted: "On balance, members thought there could be a need for a reduction in the policy rate if the economy weakens in the face of continued US tariffs and uncertainty, and cost pressures on inflation are contained."
- The deliberations of the June meeting also noted "members agreed there could be a need for a further reduction in the policy interest rate if the effects of US tariffs and uncertainty continued to spread through the economy and cost pressures on inflation were contained." - which again didn't include the condition of "downward pressure on inflation".

Full Rate Decision Statement

Bank of Canada holds policy rate at 2¾%
The Bank of Canada today maintained its target for the overnight rate at 2.75%, with the Bank Rate at 3% and the deposit rate at 2.70%.

While some elements of US trade policy have started to become more concrete in recent weeks, trade negotiations are fluid, threats of new sectoral tariffs continue, and US trade actions remain unpredictable. Against this backdrop, the July Monetary Policy Report (MPR) does not present conventional base case projections for GDP growth and inflation in Canada and globally. Instead, it presents a current tariff scenario based on tariffs in place or agreed as of July 27, and two alternative scenarios—one with an escalation and another with a de-escalation of tariffs.

While US tariffs have created volatility in global trade, the global economy has been reasonably resilient. In the United States, the pace of growth moderated in the first half of 2025, but the labour market has remained solid. US CPI inflation ticked up in June with some evidence that tariffs are starting to be passed on to consumer prices. The euro area economy grew modestly in the first half of the year. In China, the decline in exports to the United States has been largely offset by an increase in exports to the rest of the world. Global oil prices are close to their levels in April despite some volatility. Global equity markets have risen, and corporate credit spreads have narrowed. Longer-term government bond yields have moved up. Canada's exchange rate has appreciated against a broadly weaker US dollar.

The current tariff scenario has global growth slowing modestly to around 2½% by the end of 2025 before returning to around 3% over 2026 and 2027.

In Canada, US tariffs are disrupting trade but overall, the economy is showing some resilience so far. After robust growth in the first quarter of 2025 due to a pull-forward in exports to get ahead of tariffs, GDP likely declined by about 1.5% in the second quarter. This contraction is mostly due to a sharp reversal in exports following the pull-forward, as well as lower US demand for Canadian goods due to tariffs. Growth in business and household spending is being restrained by uncertainty. Labour market conditions have weakened in sectors affected by trade, but employment has held up in other parts of the economy. The unemployment rate has moved up gradually since the beginning of the year to 6.9% in June and wage growth has continued to ease. A number of economic indicators suggest excess supply in the economy has increased since January.

In the current tariff scenario, after contracting in the second quarter, GDP growth picks up to about 1% in the second half of this year as exports stabilize and household spending increases gradually. In this scenario, economic slack persists in 2026 and diminishes as growth picks up to close to 2% in 2027. In the de-escalation scenario, economic growth rebounds faster, while in the escalation scenario, the economy contracts through the rest of this year.

CPI inflation was 1.9% in June, up slightly from the previous month. Excluding taxes, inflation rose to 2.5% in June, up from around 2% in the second half of last year. This largely reflects an increase in non-energy goods prices. High shelter price inflation remains the main contributor to overall inflation, but it continues to ease. Based on a range of indicators, underlying inflation is assessed to be around 2½%.

In the current tariff scenario, total inflation stays close to 2% over the scenario horizon as the upward and downward pressures on inflation roughly offset. There are risks around this inflation scenario. As the alternative scenarios illustrate, lower tariffs would reduce the direct upward pressure on inflation and higher tariffs would increase it. In addition, many businesses are reporting costs related to sourcing new suppliers and developing new markets. These costs could add upward pressure to consumer prices.

With still high uncertainty, the Canadian economy showing some resilience, and ongoing pressures on underlying inflation, Governing Council decided to hold the policy interest rate unchanged. We will continue to assess the timing and strength of both the downward pressures on inflation from a weaker economy and the upward pressures on inflation from higher costs related to tariffs and the reconfiguration of trade. If a weakening economy puts further downward pressure on inflation and the upward price pressures from the trade disruptions are contained, there may be a need for a reduction in the policy interest rate.

Governing Council is proceeding carefully, with particular attention to the risks and uncertainties facing the Canadian economy. These include: the extent to which higher US tariffs reduce demand for Canadian exports; how much this spills over into business investment, employment and household spending; how much and how quickly cost increases from tariffs and trade disruptions are passed on to consumer prices; and how inflation expectations evolve.

We are 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.

Press Conference Opening Statement

Good morning. I’m pleased to be here with Senior Deputy Governor Carolyn Rogers to discuss today’s monetary policy decision.

Today, Governing Council held the policy interest rate at 2.75%. This decision reflects three main considerations.

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.

Today’s interest rate decision is accompanied by our July Monetary Policy Report (MPR). As in April, we have decided not to present a conventional forecast for growth and inflation. US tariffs are still too unpredictable to be able to provide a single forecast for the Canadian economy. So, we present three scenarios. The first is what we’re calling our current tariff scenario—it presents a view of how growth and inflation would evolve if the trade arrangements currently in place or agreed were to remain. The other two scenarios examine how things could play out if tariffs escalate, or if they de-escalate from where they are now. These three scenarios are designed to capture the uncertainty about US trade policy.

There is also uncertainty about how businesses and individuals in Canada and the United States will adapt to the new trade environment. The increases we have seen in US effective tariff rates are less than were threatened. But they are still outside post-war historical experience.

So, in addition to using scenarios to help guide monetary policy, we've stepped up our regional outreach to help understand the impact of tariffs and trade uncertainty across the country. And we are adding new questions to our surveys of Canadian households and businesses.

I want to underline that the lack of a conventional forecast does not impede our ability to take monetary policy decisions. But the unusual degree of uncertainty does mean we have to put more weight on the risks, look over a shorter horizon than usual, and be ready to respond to new information.

Let me provide some details on what we've seen since June.

Some tariff agreements have been negotiated between the United States and its trading partners, and that has reduced the risk of a severe and escalating global trade war. Unfortunately, the tariffs in those agreements also suggest the United States is not returning to open trade.

So far, the global economic consequences of US trade policy have been less severe than feared. US tariffs have disrupted trade in major economies, and this is slowing global growth but by less than many anticipated. While growth in the US economy looks to be moderating, the labour market has remained solid. And in China, lower exports to the United States have largely been replaced with stronger exports to other countries.

In Canada, we had robust growth in the first quarter of 2025, mostly because firms were rushing to get ahead of tariffs. In the second quarter, the economy looks to have contracted, as exports to the United States fell sharply—both as payback for the pull-forward and because tariffs are dampening US demand.

Growth in spending by Canadian businesses and households is being restrained by uncertainty. And new US tariffs are having profound impacts on directly affected sectors. A number of economic indicators suggest excess supply in the economy has increased since January.

Nevertheless, the Canadian economy is showing some resilience so far. A number of surveys suggest consumer and business sentiment is still low, but has improved. In the labour market, we are seeing job losses in the sectors that rely on US trade, but employment has kept growing in other parts of the economy. The unemployment rate has moved up modestly to 6.9%.

In our current tariff scenario, growth resumes following the second-quarter contraction. GDP growth is about 1% in the second half of this year as exports stabilize and household spending increases gradually. The scenario then has growth picking up further in 2026 and reaching about 2% in 2027, although GDP is on a permanently lower path owing to tariffs.

Turning to inflation, CPI inflation has been pulled down by the elimination of the carbon tax and is just below 2%. However, a range of indicators suggest underlying inflation has increased from around 2% in the second half of last year to around 2½% more recently. This largely reflects an increase in prices for goods other than energy. Shelter cost inflation remains the biggest contributor to CPI inflation, but it continues to ease. Surveys indicate businesses' inflation expectations have fallen back after rising in the first quarter, while consumers' expectations have not come down.

In the current tariff scenario, there are offsetting upward and downward forces at play, which we outline in the MPR. Boiling it all down, there are reasons to think that the recent increase in underlying inflation will gradually unwind. The Canadian dollar has appreciated, which reduces import costs. Growth in unit labour costs has moderated, and the economy is in excess supply. At the same time, tariffs impose new direct costs, which will be gradually passed through to consumers. In the current tariff scenario, upside and downside pressures roughly balance out, so inflation remains close to 2%.

The picture is somewhat different when we look at the alternative scenarios. In the de-escalation scenario, lower tariffs improve the growth outlook and reduce the direct cost pressures on inflation. In the escalation scenario, higher tariffs weaken the economy and increase direct cost pressures.

There is also uncertainty about the impact of tariffs. Many businesses report they are facing costs related to finding new suppliers and developing new markets. These costs are difficult to evaluate and could add upward pressure to consumer prices.

We will be following tariff developments closely and assessing indicators of underlying inflation.

At this rate decision, there was clear consensus to hold our policy rate unchanged. We also agreed that we need to proceed carefully, with particular attention to the risks and uncertainties facing the Canadian economy. These include: the extent to which higher US tariffs reduce demand for Canadian exports; how much this spills over into business investment, employment and household spending; how much and how quickly cost increases from tariffs and trade disruptions are passed on to consumer prices; and how inflation expectations evolve.

We will continue to assess the timing and strength of both the downward pressures on inflation from a weaker economy and the upward pressures on inflation from higher costs related to tariffs and the reconfiguration of trade. If a weakening economy puts further downward pressure on inflation and the upward price pressures from the trade disruptions are contained, there may be a need for a reduction in the policy interest rate.

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

With that, the Senior Deputy Governor and I would be pleased to take your questions.

Monetary Policy Report

Latest MPR Projections Increasingly Pessimistic On Growth: The BOC's July Monetary Policy Report (MPR) offered three scenarios for its quarterly forecasts, up from two in April's edition and the usual one central forecast in more normal times. July's included a "current tariff scenario instead of a base-case projection" and "two alternative scenarios are also presented that, when taken together, encompass a range of potential outcomes". Most attention will be paid to the current tariff scenario which is hints strongly that the BOC is moving back toward a central forecast once trade-related uncertainty has abated further.

- The figures in the latest tables compare the current central outlook to that seen in January's MPR, as opposed to the dual April scenarios. If compared with the April scenarios, July's current-policy CPI forecasts look a lot more like the "less pessimistic" scenario, but the GDP forecasts look relatively pessimistic.

- As noted in the report, in the current tariff scenario "GDP growth picks up in the second half of 2025 as exports stabilize. GDP growth then strengthens to reach 1.8% in 2027, but tariffs permanently lower the path of economic activity. Slow population growth and weak business investment weigh on potential output growth in the second half of 2025. Potential output growth then picks up in 2026 and 2027, mainly due to more robust trend labour productivity growth. Trend labour input growth remains modest. The output gap persists in 2026 and then narrows in 2027 as GDP growth picks up."

Table 3: Summary of GDP growth and inflation for Canada in the current tariff scenario

	2024	2025			2024	2025	2026	2027
	Q4	Q1	Q2	Q3	Q4	Q4	Q4	Q4
CPI inflation (year-over-year percentage change)	1.9 (1.9)	2.3 (2.1)	1.7	1.8	1.9 (1.9)	1.9 (2.4)	2.1 (2.1)	1.9
Core inflation (year-over-year percentage change)*	2.6 (2.6)	2.8 (2.5)	3.1	3.1	2.6 (2.6)	3.1 (2.1)	2.4 (2.1)	2.0
Real GDP (year-over-year percentage change)	2.3 (1.8)	2.3 (1.7)	1.3	0.9	2.3 (1.8)	0.7 (1.9)	1.4 (1.7)	2.1
Real GDP (quarter-over-quarter percentage change at annual rates)†	2.1 (1.8)	2.2 (2.0)	-1.5	1.0				

Note: The assumptions and scenarios were finalized on July 27, 2025. Numbers in parentheses are projections from the January 2025 Report. In January, the near-term outlook for inflation was higher than in the *current tariff scenario* because the consumer carbon tax was still in place.
* Core inflation is the average of CPI-trim and CPI-median.

- For inflation in the near term, factors include "the end of the downward impact from the elimination of the consumer carbon tax in the second quarter of 2026 Canada's counter-tariffs, which add up to 0.6 percentage points to inflation, particularly affecting the prices of goods such as food and motor vehicles", offset by "excess supply and slower growth in unit labour costs easing inflation in shelter prices, reflecting slower growth in rent prices and mortgage interest costs the recent appreciation of the Canadian dollar. In 2027, inflation remains close to 2% as the effects of tariffs dissipate and excess supply begins to shrink. The composition of inflation shifts, with inflation in goods prices easing and inflation in services prices stabilizing near historical norms."

- Looking at the forecast tables, consistent with the latest CPI data for June, headline Y/Y inflation is seen remaining under 2% through end-2025 (1.7% Q2, 1.8% Q3, 1.9% Q4). and remaining well-behaved at around 2% through the 2027 forecast horizon. However, core inflation (average of the trim and median measures) is seen remaining above 3% (3.1% in Q2, Q3, and Q4) before subsiding in 2026 and 2027 to 2%.

- Compare this to the April MPR in which the average of the 2 scenarios' Q2 CPI was seen at 1.5% with core at 2.95%, with headline CPI coming down to an average 2.35% in 2026 and 2.05% in 2027.

- But the GDP expectation for Q2 at -1.5% (Q/Q SAAR) is even worse than the downside scenario in April, which was -1.3% (the less pessimistic scenario showed 0.0%). There's a rebound anticipated to 1.0% for Q3. On a Y/Y basis, real GDP is seen pulling back from 1.3% in Q2, to 0.9% in Q3, and 0.7% in Q4, with only a very modest rebound to 1.4% by Q4 2026.

Press Conference Transcript (Unedited)

https://media.marketnews.com/Monetary_Policy_Press_Conference_July_2025_af28d48ae2.pdf

Other Press Conference Highlights

Macklem: Elevated Core Inflation "Has Got Our Attention": MNI asked Gov Macklem about the BOC's projections showing core inflation remaining above 3% through the rest of this year.

- Macklem: "yes that has got our attention. And going forward, we are going to be watching closely what happens with those pressures and underlying inflation." He notes multiple countervailing factors on inflation, saying "I think the message overall is, monetary policy is going to continue to support the economy, while ensuring that inflation remains well controlled, that's what's on our mind, that's what will guide our decisions."
- When asked about whether a 2.5% inflation rate is "uncomfortably high, Macklem finds an opportunity to repeat what he's said previously about the current uncertainty making it hard to be "forward-looking". He says "if inflation is currently 2.5%, but we think the evidence is suggesting that inflation pressures will unwind and we're heading back to 2%, yes, we're comfortable. If we think inflation pressures are building further and we're moving further away from the target, we're uncomfortable.... One of the messages today is, it's hard to be as forward looking as usual when you've got an unusual amount of uncertainty. And that's why we presented three scenarios, and you can see that the inflation outturn is different in those different scenarios. And the reason we presented three scenarios is, again, against a background of unusual uncertainty, we need to be thinking more about the risks. So as we're thinking about policy, we're not thinking about a single forecast. We're thinking of a range of scenarios."

Macklem: Situation Hasn't Changed That Much Since Last Meeting: Asked about whether the BoC thinks there is a need to cut rates later this year in its "current tariff" MPR scenario, Macklem doesn't give much away, repeating the language in the rate decision statement.

- *"We're going to take our decisions one decision at a time, and our future decisions are going to depend what happens in the future. I think the first message is, the situation hasn't changed that much since our last decision. We continue to proceed carefully. Given the unusual amount of uncertainty, we're continuing to put more weight on the risks, and we're ready to respond to new information."*
- *"The second thing I would say is we have been very clear about what we're watching most closely, what we're particularly focused on. And those are the four things I outlined. We're looking at how much are US tariffs impacting our exports? How much is the weakness in exports spilling over into business investment, into employment and into household spending. How quickly, you know, how big are those direct costs? How quickly are those getting passed through to consumer prices, and what's happening with inflation expectations?"*
- *"And then the other thing we've said is that, you know, looking ahead, if the weakness in the economy creates further downward pressure on inflation, and the upward pressures from tariffs and disrupt trade disruption are contained, there could be a need for a further cut in our interest rate."*

Macklem: Economy Showing Some Resilience, Not "Sharply" Weaker: Gov Macklem says that incoming data suggests the Canadian economy overall is weaker but not "sharply weaker" amid the US-Canada trade conflict (the policy statement noted "the economy is showing some resilience so far"):

- *"When we say the economy is showing some resilience overall, what we're saying is that when you look beyond the directly-affected trade sensitive sectors, and you look at the rest of the economy, it is continuing to grow. If you look at employment outside of sectors heavily dependent on the US. Employment in the rest of the economy has continued to expand, as I mentioned in a previous question. You know, consumption growth is modest, but it is continuing to grow. So look, the economy is weaker, but it's not sharply weaker. It is showing, it is showing some resilience so far....*

hopefully we move more towards a de-escalation scenario and we get a stronger bounce back in growth than we have, than is in the current tariff scenario. But you know, we've got to be alive to the possibility that, you know, that's not the only possible outcome."

On the BOC's balance sheet policies, Deputy Gov Rogers says that plans haven't changed:

- *"our plan that we've shared in previous press conferences on settlement balances hasn't changed. We're on a continued trajectory down. We still think we'll settle somewhere between 50 and $70 billion at the end of the day. We're getting closer to that number, but we've got a ways to go. The bottom line is, we don't have any change to our plans right now."*

Macklem: Will Watch Fed Rate Decisions Closely: In the final question of the BOC press conference, asked if future Federal Reserve cuts will affect the BOC's rate path, Macklem says the BOC will "watch closely what the Fed does":

- *"we have a flexible exchange rate so that we can gear monetary policy to the needs of the Canadian economy. I'm confident the Federal Reserve will gear monetary policy to the needs of the US economy. We've obviously reduced interest rates quite a bit more than the Fed. Our economy was was weaker through last year. As we reduced rates, we were seeing, actually, economic activity pick up with inflation around 2%. Of course, the situation has changed with new US tariffs. But yes, we'll watch closely what the Fed does, and that's something that we will take into account in terms of our own monetary policy. But I think the best thing the Fed can do for us is to do a good job managing monetary policy in the United States."*

MNI POLICY TEAM

MNI BOC WATCH: Hold And Potential Cut If CPI And Growth Slow

By Greg Quinn (July 30, 2025)

OTTAWA - The BOC held rates for a third meeting and said a reduction can be justified if the US trade war slows growth and inflation while officials stuck with economic scenarios instead of a forecast two days before Donald Trump's deadline for a deal with a status quo of avoiding recession and core inflation staying above 3% the rest of this year.

"If a weakening economy puts further downward pressure on inflation and the upward price pressures from the trade disruptions are contained, there may be a need for a reduction in the policy interest rate," the Bank said Wednesday. While that comment was promoted to the decision from the last meeting when it was in Governor Tiff Macklem's press statement, the inflation condition was escalated from prices just needing to be contained.

Macklem reiterated officials are less forward-looking while mapping out different paths for the economy amid the biggest trade war since the 1930s but his press statement said the lack of a regular forecast "does not impede our ability to take monetary policy decisions." He holds a press conference at 1030am EST.

The "current tariff scenario" shows GDP contracting at a 1.5% annualized pace in the second quarter and rebounding with 1% growth in the third, avoiding a technical recession after 2.2% first-quarter growth. Even the GDP swing reflects stockpiling ahead of tariffs the Bank noted, and so far the global and Canadian economies have shown resilience.

With the Bank's single mandate to keep headline inflation in a 1% to 3% band, the main scenario shows core CPI advancing at a 3.1% pace in the third and fourth quarters. Trend inflation appears to be closer to 2.5% the Bank said.

One big reason all 17 economists polled by MNI saw the overnight rate staying 2.75% for a third meeting was that cutting invites criticism about a repeat of the burst of inflation following pandemic lock-downs. Worst-case scenarios around a recession opening up more slack that would curb inflation have receded with a return to job gains and non-U.S. exports pulling the trade deficit back from a record.

Economists on balance say tariff damage requires stimulative monetary policy towards the end of the year with perhaps two rate cuts. The Bank earlier cut seven times between last June and March. Canada sends three-quarters of its exports to the US and those suppliers account for one in ten jobs.

Proof of the need for stimulus may not emerge until Canada reports second-quarter GDP Aug. 29 and the federal government presents a fall budget costing out increased deficit spending on NATO's defense target. There are also slower-moving risks as consumers refinance popular five-year fixed-rate mortgages taken out when borrowing costs were at record lows, and the government's move to slash immigration that could slow demand and pressure on housing costs.

The Bank took the rare step of twice mentioning strength in Canada's dollar including that it's helping curb import costs. Even with the Bank's lending rate about the farthest below the Fed’s benchmark since the 1990s, the US dollar has weakened globally this year as investors question the impact of Trump's policies.

Canada's rate decision is a rarity coming on the same day as a Federal Reserve announcement, even giving less reason for a policy shift.

"The unusual degree of uncertainty does mean we have to put more weight on the risks, look over a shorter horizon than usual, and be ready to respond to new information," Macklem said.