Monetary Policy Council

Communiqué

September 11, 2025

Bank of Canada Should Cut Overnight Rate to 2.50 Percent Next Week and to 2.25 Percent in October, Says C.D. Howe Institute Monetary Policy Council

September 11, 2025 – The C.D. Howe Institute's **Monetary Policy Council** (MPC) calls for the Bank of Canada to cut its target for the overnight rate, its benchmark policy interest rate, to 2.50 percent at its next announcement on September 17th. The MPC further calls for the Bank to cut the target to 2.25 percent at its subsequent announcement in October..

The MPC, chaired at this meeting by **William B.P. Robson**, the Institute's President and CEO, includes the chief economists of the six largest Canadian banks, alongside six leading academic economists and financial market experts.

Acting as a shadow Governing Council, the MPC provides an independent assessment of the monetary stance needed to achieve the Bank of Canada's 2 percent inflation target. Its formal recommendation for each interest rate announcement is determined by the median vote of members in attendance. Members vote on the upcoming announcement, the subsequent announcement, and the announcements six months and one year ahead.

Seven of the eight MPC members attending the meeting recommended that the Bank of Canada should cut the target for the overnight rate next week, with the other member recommending no change. Looking ahead to October, seven members recommended a further cut, to 2.25 percent, while the remaining member recommended 2.75 percent. The votes for the announcement in March and September of 2026 were the same, except that by September, one member recommended a target of 2.00 percent (see table below).

Much of the Council's discussion during the meeting focused on signs of economic weakness, globally, in the United States, and particularly in Canada. In addition to the damage caused directly by US tariffs and indirectly by uncertainty about US trade policy, members registered concerns about the soft labour market and pronounced declines in business investment, output and incomes. Consistent with the emphasis on a slowing economy, most members indicated comfort that recent inflation numbers prefigured continued success in the Bank of Canada hitting its target in the near term. Some members noted that the recent sensitivity of bond markets, with long-term yields tending to rise because of fiscal concerns, for example, provided an additional reason for the Bank of Canada to lean toward a lower overnight rate.

Among the main reasons for MPC members not to recommend a faster, or any cut, in the overnight rate were evidence that economic weakness is concentrated in particularly trade-exposed sectors and regions, concerns that an immediate 50-basis-point cut might spark alarm, and reservations about stimulating more consumer spending and housing activity when the economy's productive capacity is not growing. The group also discussed the likely size and timing of support for spending from fiscal policy and major projects. Many of the members who recommended a cut to 2.25 percent in October stressed that their recommendations for no change after that reflected uncertainties about the amount of slack in the Canadian economy and how fiscal policy might affect it.

The views and opinions expressed by the participants are their own and do not necessarily reflect the views of the organizations with which they are affiliated, or those of the C.D. Howe Institute. Forecasters' recommendations may differ from their predictions.

Votes of MPC Members and the Council Median for Each Announcement (*percent*)

	Sept. 17, 2025	Oct. 29, 2025	March 18, 2026	Sept. 2, 2026
Steve Ambler Université du Québec à Montréal (UQAM)	2.50	2.25	2.25	2.25
Beata Caranci TD Bank Group	2.50	2.25	2.25	2.25
Michael Devereux University of British Columbia	2.50	2.25	2.25	2.00
Frances Donald RBC	2.75	2.75	2.75	2.75
Stéfane Marion National Bank of Canada	2.50	2.25	2.25	2.25
Luba Petersen Simon Fraser University	2.50	2.25	2.25	2.25
Avery Shenfeld CIBC	2.50	2.25	2.25	2.25
Stephen D. Williamson Western University	2.50	2.25	2.25	2.25
Median Vote	2.50	2.25	2.25	2.25

The MPC's next vote will take place on October 23, 2025, prior to the Bank of Canada's overnight rate announcement on October 29.

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