

Bank of Canada cuts key interest rate to 3.25%

Wednesday's decision marks second consecutive half-point cut

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The Bank of Canada lowered its interest rate by 50-basis points to 3.25 per cent on Wednesday. (Justin Tang/The Canadian Press)

The Bank of Canada lowered its interest rate by 50-basis points to 3.25 per cent on Wednesday but signalled a slower pace of rate cuts moving forward.

Economists were largely expecting another weighty cut following a quarterly GDP report that saw growth come in below the central bank's projection and a jobs report that showed an uptick in the unemployment rate.

The decision marked the fifth consecutive reduction since June. In October, the central bank cut rates by a half-point for the first time since the pandemic.

Governor Tiff Macklem said in his prepared statement that the central bank opted for two large rate cuts in a row because inflation and economic growth don't need to be restricted anymore.

With inflation back at the two-per-cent target, the central bank is now focused on keeping it there.

However, with interest rates now down substantially, Macklem signalled the central bank will likely take a more gradual approach to monetary policy.