

## Bank of Canada Presses Pause on Rate Cuts Amid Trade Turmoil

On a constant interest rate cut spree since last summer, the Bank of Canada (BoC) has finally chosen to keep its benchmark rates at bay at 2.75%. The central bank's cautious stance comes in response to rising global trade tensions, particularly those triggered by unpredictable U.S. tariff policies under President Donald Trump. These developments have created uncertainty, weakened growth prospects, and pushed up inflation expectations, according to the Bank of Canada.

In the earlier half of this year, Canada's economy has showed some promising signs, tagged along by easing inflation and firm growth. However, the global outlook has dimmed significantly due to renewed trade threats. While Canada was excused from the latest U.S. tariffs announced on April 2, it still faces levies on steel, aluminium, and some auto models. Trump has also floated the possibility of expanding tariffs to include lumber, semiconductors, and pharmaceuticals.

Bank of Canada Governor Tiff Macklem acknowledged that the economic future remains unclear and signalled that further decisions would be data-dependent, with a possible rate change expected in June. Economists are divided on the outlook — some expect renewed cuts if growth slows, while others remain cautiously optimistic about improving Canada-U.S. relations.

The central bank also warned of a potential recession if trade conflicts persist, noting weakened financial markets, falling oil prices, and a stronger Canadian dollar. It emphasized that while monetary policy can't solve trade disputes, it will continue to focus on maintaining price stability for Canadians.

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