

ECONOMIC NEWS

Canada: Cooler core inflation gives a bit of encouragement

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HIGHLIGHTS

- ▶ Consumer prices rose 0.7% in October, leaving the annual rate of inflation tracking 6.9%.
- ▶ A surge in gasoline prices of 9.2% supported the headline increase as did a further increase in food prices. The latter might have been partially a result of the weakening Canadian dollar up until October.
- ▶ Excluding food and energy, however, prices rose only 0.2% on a seasonally-adjusted basis. That left the annual rate of core CPI tracking 5.3% growth, a tick slower than in September.
- ▶ The Bank of Canada's trim and median measures both accelerated a tick on a 12-month basis to 5.3% and 4.8%, respectively. That said, on a 3-month annualized basis, both measures have continued to fall and now sit at 3.4% for trim and 3.3% for median.

COMMENTS

It looks like the headline increase in prices was more noise than signal. Both traditional and more dynamic measures of core inflation are suggesting that price pressures are cooling off.

Easing supply-chain disruptions and falling costs for airfares and other vacations appear to have contributed to the cooling in core inflationary pressures.

Canadians are also benefitting from falling gasoline prices and a stronger Canadian dollar more recently, which means that the strength in energy and food prices in October might be short lived.

IMPLICATIONS

There does seem to be some light appearing at the end of this long tunnel. Underlying inflationary pressures are softening according to a broad suite of indicators. While the road towards price stability is still a long one, every bit of positive development matters. This has us sticking to our call for the Bank of Canada to hike rates only once more, with a 25bp move in December.