

 **CANADA**

## The annual all-items inflation rate barely changed in March A surprising increase in retail sales

### HIGHLIGHTS

- The all-items consumer price index (CPI) ticked up by 0.6% in March.
- The components that contributed the most to that upturn were gasoline (+5.7%), women's clothing (+6.4%), tour packages (+7.6%), automobile purchases (+0.8%) and men's clothing (+3.8%).
- Conversely, the components that did the most to rein in CPI growth were fresh fruit (-4.5%), fresh vegetables (-3.3%), natural gas (-1.9%), dairy products (-0.8%) and tools and other household equipment (-1.3%).
- The all-items annual inflation rate hardly budged, merely slipping from 1.4% to 1.3%.
- The core inflation index (CPIX) rose by 0.7% in March. Its annual change spurted up to 2.1%, versus 1.9% in February.
- The value of retail sales edged up by 0.4% in February.
- Expressed in real terms, retail sales are posting a gain of 1.5%.

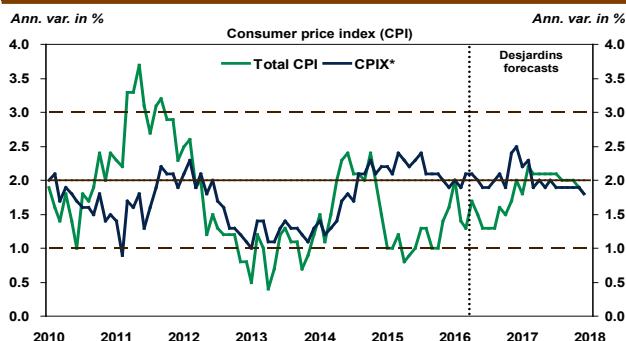
### COMMENTS

Generally speaking, the all-items CPI turned out as we expected. The growth observed in the CPIX was stronger than anticipated, largely due to seasonal price increases that were a little sharper than usual. That said, the annual change in the all-items CPI and in the CPIX remained very stable, so we can say that inflation does not present any great concern at this time.

Actually, the surprise came from retail sales; forecasters had been expecting a significant downturn during the month. Moreover, automobile sales did not decline as much as the interim data had suggested. Since last fall, the trend in retail trade has thus been very good.

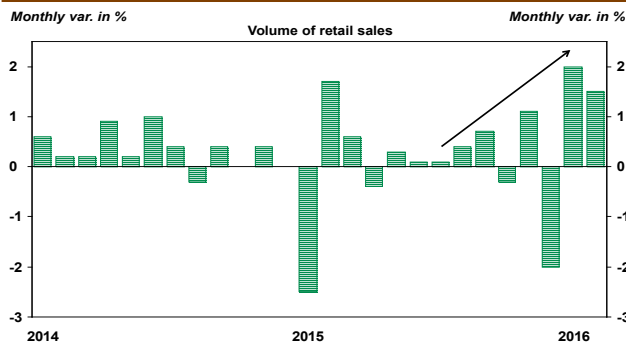
**Implications:** After two months, the carryover of growth in retail sales volumes for the first quarter of 2016 stands at an annualized rate of 8.5%. This means that retail trade is

### The inflation trend is still very close to the median target



\* Bank of Canada core index.  
Sources: Statistics Canada and Desjardins, Economic Studies

### Retail trade is picking up



Sources: Statistics Canada and Desjardins, Economic Studies

heading towards its best quarterly showing since the winter of 2010. Therefore consumer spending will contribute strongly to economic growth, confirming our forecast of an annualized increase of around 3.5% in real GDP for the first quarter of 2016.

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