**Canada: A Slight Rise in Inflation**

**HIGHLIGHTS**
- The consumer price index (CPI) remained unchanged in July.
- The main components that contributed positively to the monthly change are traveller accommodation (+7.0%), air transport (+2.8%), natural gas (+3.4%), meat (+1.2%), and fresh fruit (+2.8%).
- In contrast, the main components that contributed negatively to the monthly change are electricity (-3.1%), motor vehicle purchases (-1.5%), telephone services (-1.8%), fresh vegetables (-1.5%), and automobile insurance premiums (-0.5%).
- The total annual inflation rate went from 1.0% to 1.2%.
- Two of the three new core indexes saw a slight increase in their annual change in July. On average, the annual change of the three indexes was 1.5%, up from 1.4% for the previous month.

**COMMENTS**
Overall, July’s results were consistent with expectations. Some downside pressure continues to be felt, especially in telecommunication services, which are now showing a 0.8% decline over one year. The third reduction in electricity rates in Ontario alone led to a decrease of approximately 0.1% in the total Canadian CPI. That said, seasonally adjusted total CPI advanced 0.2% in July, which represents an acceleration compared with very weak results in recent months. If this turnaround continues in the coming months, it would dispel doubts about weak inflation. The slight rise in the core indexes is also a step in the right direction in this regard.

**IMPLICATIONS**
The risk of seeing the annual change in CPI fall below the lower target (1%) has been averted for the moment. Given that the disinflationary pressure should ease off over time as excess production capacity is absorbed, the door should remain open in October for an increase in the target for the overnight rate.