

## Canadian CPI Is Tracking BoC Expectations

Canada, CPI, y/y / m/m NSA %, October:

**Actual:** 2.4 / 0.3

**Scotia:** 2.4 / 0.3

**Consensus:** 2.2 / 0.1

**Prior:** Unrevised from 2.2 / -0.4

Core inflation, y/y %, October:

**Average:** 2.0 (prior 2.0%)

**Common component:** 1.9 (prior 1.9%)

**Weighted Median:** 2.0 (prior 1.9% revised down from 2.0)

**Trimmed Mean:** 2.1 (prior 2.0% revised down from 2.1)

- Headline inflation was in line my estimate and above consensus. **Q3 and Q4 inflation are tracking in line with or ever so slightly above BoC expectations.** Core inflation was 2.0% by the average of the three central tendency measures. The two year Canada yield increased a touch when the data hit but quickly retrenched when oil gapped lower around the same time as the release.
- In month-ago terms, the abnormal seasonal softness in September when CPI NSA fell by 0.4% m/m—versus a more normal month of September that is closer to flat—was reversed in October. October is normally little changed in headline CPI NSA terms but jumped 0.3% m/m as expected. The return to stronger than seasonally normal price gains in October is why I went above consensus. Seasonally adjusted CPI was up 0.3% m/m during October after dipping 0.1% in September.
- As the accompanying charts depict, the averages of the central tendency measures and the individual measures have remained stuck on the BoC's 2% inflation target throughout most of the year. That neither indicates continued escalation of pressures nor price weakness as the BoC has tightened policy.
- **Inflation is roughly on the mark if not ever so slightly firmer than the BoC forecast for Q3 and Q4 combined.** For Q3, the BoC had 2.7% y/y for headline CPI in the October MPR after revising up from 2.5% in the July estimate for Q3 and that reflected the actual data that landed at 2.7%. For Q4, they forecast 2.3% and October just landed at 2.4% which indicates slight, preliminary upside risk to tracking with two-thirds of the quarter's data left.
- Several components drove the pick-up in headline inflation in year-ago terms including gas price increases (+12% y/y), mortgage interest costs (+7%), food prices at restaurants (+4.2%), airfare (+9.4%), passenger vehicles (+1.7%) as well as the broader household operations and furnishings and recreation/education/reading categories. Prices were weighed down primarily by categories like telephone services, traveller accommodation and natural gas.

### CONTACTS

Derek Holt, VP & Head of Capital Markets Economics

416.863.7707

Scotiabank Economics

derek.holt@scotiabank.com



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