

## Canadian CPI Remains On The Narrative

### Canada, CPI (m/m % NSA ; y/y % NSA), April:

Actual: 0.4 / 2

Scotia: 0.3 / 1.9

Consensus: 0.4 / 2

Prior: Unrevised from 0.7 / 1.9

### Canada, Core Inflation, y/y %, April:

Average: 1.9 (prior 2.0)

Weighted Median: 1.9 (prior 2.1)

Common Component: 1.8 (prior 1.8)

Trimmed Mean: 2.0 (prior 2.1)

- **Canadian inflation increased a tick on headline to 2% but core slipped a tick to 1.9% with the Easter Bunny's and faulty planes influencing the reading somewhat.** At the margin that's slightly more dovish via the core reading, but only to markets in the very short term while affecting nothing at the BoC. The broad message is that inflation is roughly on target in Canada while activity variables are zooming higher in favour of the Q2-onward rebound narrative across readings as varied as jobs, hours worked, exports, housing starts and probably tomorrow's manufacturing report.
- Q1 CDN CPI of 1.6% y/y with no changes matched the BoC's Q1 in the April MPR but **Q2 CPI is tracking a tenth higher than their 2.0% y/y expectation. Obviously this is only based upon April and base effects and a lot can change, but so far, the CPI refresher is not a material surprise to the BoC.**
- There are a lot of competing influences within the details. For one, StatsCan flagged the Easter holiday shift (later than often) for an 8.4% y/y rise in travel tours pricing with air transportation prices up 6.6% on a combination of "jet groundings and increased April holiday travel." **Boeing's challenges and the Easter Bunny therefore provided a bit of a false lift to inflation** last month that won't be sustained going forward. Fade this driver.
- Food price inflation was softer, however, across beef, vegetables, fruit etc. Gas prices were up 10% m/m.
- By province, **inflation was highest out west** with BC's prices up 2.7% y/y, Alberta up 2.2%, Saskatchewan and Manitoba up 2.3%. Ontario was up by 1.9% and prices in Quebec advanced by 1.8%. The Atlantic provinces ranged between 1.2-1.7%. While of course the BoC has to tailor monetary policy to nationwide conditions, it's interesting to note that the hottest inflation is in parts of the country with the most challenged local real estate markets and economies.
- In seasonally unadjusted month-ago terms, prices were particularly higher for gasoline (+10%) which drove transportation up 1.7%, clothing and footwear (+0.8%), health and personal care (+0.4%). Down categories included recreation, education and reading (-0.7%) and food (-0.3%).
- In seasonally adjusted month ago terms, price gains were led by transportation (+0.4%), 0.2% gains in shelter, household ops/furnishings/equipment, and clothing/footwear. Other categories were little changed.

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