Scotiabank

GLOBAL ECONOMICS

SCOTIA FLASH

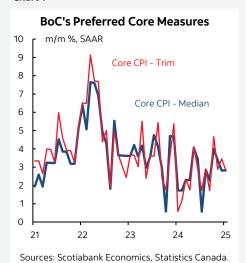
February 18, 2025

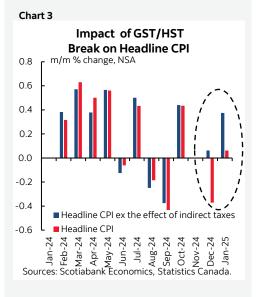
Contributors

Derek Holt

VP & Head of Capital Markets Economics Scotiabank Economics 416 863 7707 derek.holt@scotiabank.com

Chart 1





CPI Drives Down Odds of a Bank of Canada Cut

- Core inflation trend remains too warm for continued easing
- So does the job market
- Economic growth is tracking near potential

Canadian inflation remains too warm for the Bank of Canada to continue easing. The key is the appropriate measure to use. It's not headline CPI.

Chalk up another warm one for the Bank of Canada's preferred measures of underlying inflation. Trimmed mean CPI was up by 2.9% m/m at a seasonally adjusted and annualized rate (SAAR). Weighted median was up by 2.8%. They have been on a sixmonth warming trend after a brief period of respite in July. Chart 1 shows the trend. The actual data is shown in chart 2. The three-month moving average for weighted median sits at 3% m/m SAAR and for trimmed mean CPI it is 3.1%.

Markets reacted by driving the odds of a BoC cut on March 12th to below 30%.

There is too much underlying inflationary pressure in Canada to warrant an inflationtargeting central bank easing monetary policy further. The state of the job market also does not merit further easing (recall here).

GDP is hardly screaming out for further easing as growth Chart 2 is near BoC forecasts and close to estimates of potential GDP. I'm tracking Q4 GDP growth of around 1.6–1.7% q/q SAAR which is close to the BoC's estimate in the January MPR. Statcan's 'flash' estimate for December GDP of 0.2% m/m SA matches mine with little data left to consider. The 0.9% m/m SA surge in hours worked in January after a 0.7% gain in December leans toward further growth in January given that GDP is an identity defined as hours worked times productivity.

Canadian Core CPI Measures									
Month	Weighted Median	Trimmed Mean							
Aug-2024	2.85%	2.90%							
Sep-2024	2.27%	1.73%							
Oct-2024	4.00%	4.67%							
Nov-2024	3.41%	2.88%							

2.83%

2.82%

3.46%

2.87%

With the understanding that they do not remove the effects of the GST/HST cut (chart 3), charts 4-14 provide break downs of the components. Several categories like services, restaurants and alcohol would have been heavily influenced by the temporary tax cut that began in mid-December and expired this past Saturday.

Charts 15–16 break down the whole basket in m/m % terms and in terms of weighted contributions to the m/m % CPI change. Charts 17–18 do likewise for year-over-year rates. Also see the accompanying table for further details.

Chart 4

Canadian Goods Inflation 2.5 m/m % change, SA 1.5 1.0 0.5 0.0 -0.5 -1.0 -1.5 Goods -2.0 Goods excl. food & energy -25 21 22 23 24 25

Sources: Scotiabank Economics, Statistics Canada, Haver.

Chart 5

Dec-2024

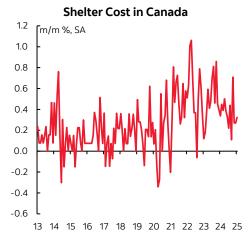
Jan-2025

Sources: Scotiabank Economics, Other

Canadian Service Inflation m/m % change, SA 1.0 0.8 0.6 0.4 0.2 0.0 -0.2-0.4 -0.6 -0.8 21 22 19 20 23 24 25 Sources: Scotiabank Economics, Statistics Canada,

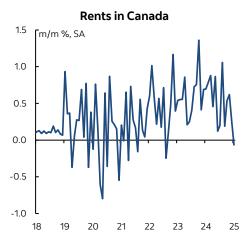
Visit our website at scotiabank.com/economics | Follow us on Twitter at @ScotiaEconomics | Contact us by email at scotia.economics@scotiabank.com

Chart 6



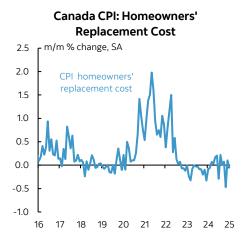
Sources: Scotiabank Economics, Statistics Canada.

Chart 7



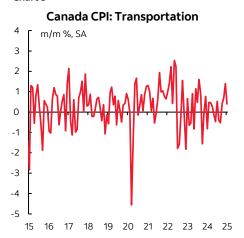
Sources: Scotiabank Economics, Statistics Canada.

Chart 8



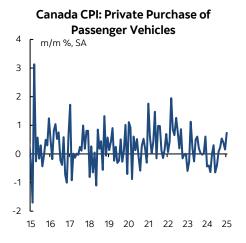
Sources: Scotiabank Economics, Statistics Canada.

Chart 9



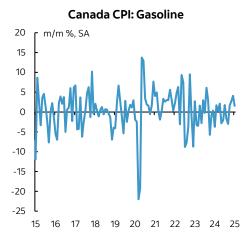
Sources: Scotiabank Economics, Statistics Canada.

Chart 10



Sources: Scotiabank Economics, Statistics Canada.

Chart 11



Sources: Scotiabank Economics, Statistics Canada.

Chart 12

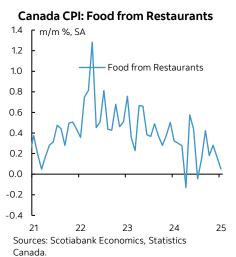
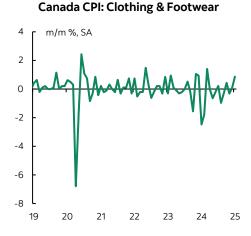
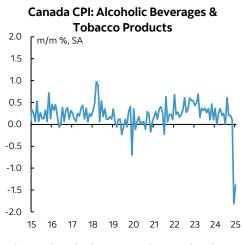


Chart 13



Sources: Scotiabank Economics, Statistics Canada.

Chart 14



 $Sources: Scotiabank \ Economics, \ Statistics \ Canada.$

Chart 15

January Detailed Category Monthly Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada

Chart 16

January Detailed Category Contributions to Monthly Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada



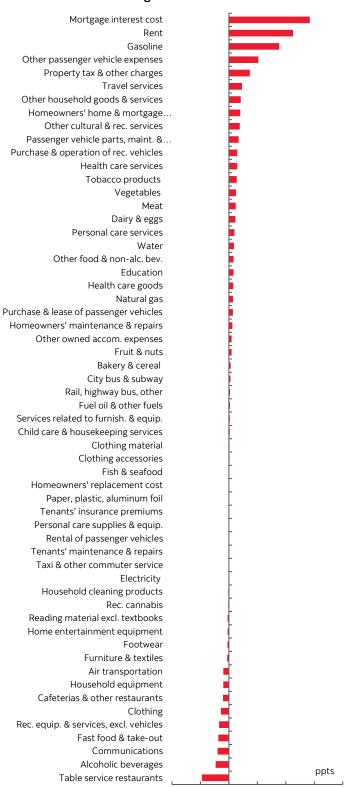
January Detailed Category 12-Month Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada.

Chart 18

January Detailed Category Contributions to 12-Month Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada

-0.40 -0.20 0.00 0.20 0.40 0.60 0.80

Scotiabank...

February 18, 2025

Jan 2025 CA INFLATION COMPONENT BREAKDOWN					Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic		
	y/y % change	Pandemic trend (Jan 2019–Present)		m/m % change, SA**	Weights (%)	у/у	m/m	2015–2019 avg. y/y	Std. Dev.	Z-Score	2011–2019 avg. y/y	Std. Dev.	Z-Score
Food	-0.6 ~-	~~~~	-0.5	-1.0	16.69	-0.10	-0.09	2.1	1.7	-1.6	2.2	1.5	-1.9
Food, stores	1.9 ~-	~~~~	0.8		10.72	0.20	0.09	1.7	2.4	0.1	2.0	2.0	0.0
Meat	2.5	March and a second	0.0	-0.7	1.94	0.05	0.00	2.5	3.6	0.0	3.4	3.6	-0.2
Fish & seafood	مر 0.2	many many	0.7	0.0	0.37	0.00	0.00	2.9	1.4	-1.9	2.8	2.5	-1.0
Dairy products & eggs	3.1		0.2	-0.2	1.47	0.05	0.00	0.2	1.5	1.9	0.6	1.5	1.7
Bakery & cereal products	0.8 👡	~~~~	0.3	0.6	1.51	0.01	0.00	0.5	2.1	0.1	1.2	2.3	-0.2
Fruit, fruit prep. & nuts	1.5 🛰	an marked market	2.9	1.3	1.25	0.02	0.04	1.8	4.4	-0.1	2.0	3.5	-0.2
Vegetables & vegetable prep.	3.9	my man	2.5	0.2	1.25	0.05	0.03	4.9	6.4	-0.2	3.6	5.8	0.1
Other food & non-alcoholic beverages	1.1		0.1	0.2	2.93	0.03	0.00	1.0	1.5	0.1	1.3	1.7	-0.1
Food purchased from restaurants	-5.1 👡		-3.1	0.1	5.97	-0.31	-0.18	3.0	0.7	-12.2	2.6	0.7	-10.7
Table service restaurants	-5.5 ~		-3.2		3.49	-0.19	-0.11	2.9	0.6	-15.1	2.6	0.6	-12.6
Fast food & take-out	-4.6		-2.9		1.63	-0.07	-0.05	3.2	1.2	-6.5	2.6	1.2	-6.2
Cafeterias & other restaurants	-4.9		-3.0		0.85	-0.04	-0.03	3.0	0.6	-12.5	2.6	0.7	-10.6
Shelter	4.5	~	0.3	0.3	29.15	1.31	0.09	1.8	0.6	4.6	1.7	0.8	3.5
Rented accommodation	6.0		-0.1	-0.1	7.37	0.44	0.00	1.3	0.8	5.9	1.3	0.6	8.0
Rent	6.3		-0.1		7.18	0.45	0.00	1.3	0.8	6.1	1.3	0.6	8.3
Tenants' insurance premiums	-1.0	The same was	1.4		0.12	0.00	0.00	1.1	1.6	-1.3	0.3	1.6	-0.8
Tenants' maintenance & repairs	-2.8	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	0.0		0.08	0.00	0.00	2.2	1.0	-4.8	2.6	2.2	-2.5
Owned accommodation	4.2		0.1		18.55	0.79	0.02	2.3	0.4	4.6	1.7	0.8	3.1
Mortgage interest cost	10.2		0.2	0.2	5.58	0.57	0.01	2.1	3.6	2.2	-0.1	3.6	2.9
Homeowners' replacement cost	0.0		0.0	-0.1	4.61	0.00	0.00	1.9	1.7	-1.2	2.1	1.5	-1.5
Property tax & other charges	6.0		0.0	0.4	2.43	0.15	0.00	2.4	0.6	6.4	2.8	0.7	4.6
Homeowners' home & mortgage insurance	5.3	man man	1.1	0.6	1.50	0.08	0.02	5.2	2.3	0.0	4.5	2.6	0.3
Homeowners' maintenance & repairs	1.3		0.1	0.1	1.85	0.02	0.00	2.0	1.1	-0.6	2.0	1.4	-0.5
Other owned accomodation expenses	0.7		-0.1	0.2	2.58	0.02	0.00	2.0	1.2	-1.0	2.4	2.0	-0.9
Water, fuel, & elec.	2.1 ~-	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	2.2		3.22	0.07	0.07	0.8	2.1	0.6	2.5	3.4	-0.1
Electricity	-0.2 ~	my man manny m	-0.4	-0.4	1.68	0.00	-0.01	1.2	4.4	-0.3	2.5	3.8	-0.7
Water	4.9	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	3.3	1.1	0.74	0.04	0.02	3.7	0.9	1.3	4.9	1.4	0.0
Natural gas	4.8	many - many -	6.0	5.9	0.59	0.03	0.04	-1.3	9.0	0.7	0.4	10.6	0.4
Fuel oil & other fuels	3.4	and the same	9.1	9.1	0.21	0.01	0.02	-0.1	15.5	0.2	5.1	14.2	-0.1
Household operations, furniture & equipment	-0.2 ~~		1.5	0.8	13.01	-0.03	0.19	1.2	1.0	-1.4	1.4	0.9	-1.9
Household ops.	0.2 ~	annound in manner	1.7		8.74	0.02	0.15	1.3	1.1	-1.0	2.1	1.3	-1.5
Communications	-3.1	many and a second	4.9	4.8	2.58	-0.08	0.13	0.0	2.8	-1.1	1.5	2.9	-1.6
Child care & housekeeping services	0.9	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	0.0	0.5	0.75	0.01	0.00	3.4	1.4	-1.9	3.3	1.3	-1.9
Household cleaning products	-1.1		-0.8	-0.7	0.42	0.00	0.00	1.3	1.9	-1.3	0.8	1.9	-1.0
Paper, plastic, aluminum foil	-0.2		2.2	0.2	0.39	0.00	0.01	2.2	2.2	-1.1	2.0	2.0	-1.2
Other household goods & services	1.8		0.7	0.4	4.61	0.08	0.03	1.8	0.5	0.0	2.4	1.1	-0.6
Household furnishings & equip.	-1.2	~~~	1.0		4.27	-0.05	0.04	0.8	1.7	-1.2	0.1	1.6	-0.8
Furniture & textiles	-0.7		1.6		1.79	-0.01	0.03	0.4	2.1	-0.6	-0.3	2.1	-0.2
Household equipment	-2.0		0.6	0.1	1.96	-0.04	0.01	0.9	1.7	-1.8	0.0	1.8	-1.1
Services related to furnishings & equipment	1.9	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	0.0	0.3	0.35	0.01	0.00	2.4	1.8	-0.3	2.7	2.9	-0.3
Clothing & footwear	-1.3 ^	many from my from	0.0	0.9	4.6	-0.06	0.00	0.6	1.2	-1.6	0.3	1.4	-1.1
Clothing	-1.9 ^	hommen brown my hommen	-0.6	1.1	2.98	-0.06	-0.02	0.5	1.6	-1.5	-0.3	2.1	-0.8
Footwear	-1.7 ~	and for many frameward	-0.3	1.6	0.64	-0.01	0.00	0.4	1.2	-1.8	0.1	1.4	-1.2
Clothing accessories	0.5	many many	2.0	0	0.71	0.00	0.01	1.0	1.8	-0.3	2.3	2.6	-0.7
Clothing material		~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	0.0		0.23	0.00	0.00	2.2	0.7	-0.3	2.7	1.2	-0.6

Scotiabank...

February 18, 2025

					Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic		
CA INFLATION COMPONENT BREAKDOWN	y/y % change	10-year trend Pandemic trend (Jan 2019–Present)		m/m % change, SA**	Weights (%)	у/у	m/m	2015–2019 avg. y/y	Std. Dev.	Z-Score	2011–2019 avg. y/y	Std. Dev.	Z-Score
Fransportation	3.4	manne manne	-0.2	0.4	16.9	0.58	-0.03	1.7	3.1	0.5	2.3	3.0	0.4
Private trans.	4.0	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	1.7		15.3	0.61	0.25	1.3	3.2	0.8	2.2	3.2	0.6
Purchase, lease, rental of passenger vehicles	0.5	Markey Very and a markey of the markey of th	1.1		5.76	0.03	0.06	2.3	1.5	-1.2	1.9	1.6	-0.9
Purchase & lease of passenger vehicles	<u>0.5</u>	mayor more many	. <u>1.1</u>		<u>5.73</u>	<u>0.03</u>	0.06	<u>2.3</u>	<u>1.5</u>	<u>-1.3</u>	<u>1.9</u>	<u>1.6</u>	<u>-0.9</u>
Rental of passenger vehicles	<u>-5.8</u>		0.0	0.0	0.03	0.00	0.00	<u>1.4</u>	<u>5.2</u>	-1.4	<u>1.2</u>	4.1	<u>-1.7</u>
Operation of passenger vehicles	6.4	many many many many many many many many	2.0		9.52	0.61	0.19	0.7	5.7	1.0	2.4	5.4	0.7
Gasoline	8.6	many my many	4.0	<u>1.6</u>	<u>4.09</u>	<u>0.35</u>	0.16	-0.6	<u>13.5</u>	0.7	<u>3.0</u>	12.2	0.5
Passenger vehicle parts, maintenance & repairs	2.7		<u>1.4</u>	0.4	<u>2.50</u>	0.07	0.04	<u>1.9</u>	0.3	<u>2.3</u>	<u>1.6</u>	0.8	<u>1.4</u>
Other passenger vehicle expenses	7.1		0.1	0.1	2.93	0.21	0.00	2.4	2.2	2.1	2.6	2.0	<u>2.3</u>
Public trans.	-1.9	me all warms a planting on	-15.4		1.62	-0.03	-0.25	4.8	3.9	-1.7	3.4	3.7	-1.4
ocal & commuter transportation	1.9		1.3	0.5	0.43	0.01	0.01	1.5	0.5	0.8	2.2	1.2	-0.3
City bus & subway	3.5	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	1.4		0.31	0.01	0.00	2.1	0.7	1.9	2.8	1.4	0.5
Taxi & other commuter service	-2.0		0.9		0.12	0.00	0.00	0.1	0.8	-2.6	0.9	1.2	-2.3
nter-city transportation	-3.0	manufacture and the second	-21.2	-0.3	1.08	-0.03	-0.23	6.2	5.7	-1.6	3.9	5.8	-1.2
Air transportation	-3.9		-22.6		1.00	-0.04	-0.23	6.5	6.2	-1.7	4.0	6.4	-1.2
Rail, highway bus, other	8.3	I have the sold and	-4.8		0.09	0.01	0.00	2.7	1.8	3.2	2.0	4.2	1.5
Health & personal care	2.3		-0.1	-0.2	5.23	0.1	-0.01	1.4	0.4	2.3	1.3	0.9	1.2
Health care	3.4		-0.3		2.56	0.1	-0.01	1.3	0.6	3.6	1.1	0.8	2.8
Health care goods	2.0	many many many many many many many many	-0.4	-0.5	1.44	0.0	-0.01	0.5	0.7	2.2	-0.1	1.1	2.0
Health care services	5.3		0.0	0.4	1.12	0.1	0.00	2.5	0.6	5.0	2.9	0.8	3.0
Personal Care	1.4	morning and	0.0		2.67	0.0	0.00	1.5	0.5	-0.2	1.5	1.2	0.0
Personal care supplies & equipment	-0.1	more and a second	0.0	-0.7	1.84	0.0	0.00	0.4	0.9	-0.5	0.5	1.6	-0.4
Personal care services	4.7		0.0	0.3	0.83	0.0	0.00	2.9	0.7	2.5	2.7	1.4	1.4
Recreation, education & reading	1.9	and the same of th	-0.6	-0.3	10.27	0.2	-0.06	1.7	0.8	0.2	1.3	0.9	0.7
Recreation	1.9	monday make make make make make make make make	-0.64		8.22	0.15	-0.05	1.4	1.0	0.5	0.6	1.2	1.0
Recreational equipment & services, excl. vehicles	-3.3	more and when we were	1.3	1.3	2.10	-0.1	0.03	-0.8	1.6	-1.6	-2.2	2.0	-0.5
Purchase & operation of recreational vehicles	3.3	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	2.1	0.2	1.77	0.1	0.04	2.6	1.8	0.4	1.9	2.0	0.7
Home entertainment equipment	-1.4	man Manual	1.0	0.1	0.66	0.0	0.01	-3.8	2.0	1.2	-4.9	2.2	1.6
ravel services	5.1	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	-7.8	-1.7	1.79	0.1	-0.14	0.8	2.9	1.5	0.4	2.8	1.7
Other cultural & rec. services	4.0	many many many	0.7	0.2	1.91	0.1	0.01	3.5	1.1	0.5	3.4	1.4	0.4
duc. & reading	1.0		-0.38		2.05	0.02	-0.01	2.5	1.4	-1.1	3.0	1.1	-1.8
ducation	1.7		-0.2	0.0	1.83	0.0	0.00	2.4	1.4	-0.5	3.0	1.2	-1.0
Reading material excl. textbooks	-4.2	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	-1.6	-0.2	0.22	0.0	0.00	3.8	2.8	-2.9	3.2	2.9	-2.6
Alcoholic beverages, tobacco & rec. cannabis	-1.0		-0.6	-1.4	4.20	0.0	-0.03	3.2	1.2	-3.6	2.7	1.3	-2.9
Alcoholic beverages	-3.5		-1.04		2.69	-0.09	-0.03	1.7	0.5	-10.1	1.4	0.7	-6.5
Alc. beverages served in licensed establishments	-3.1		-2.2	0.2	0.77	0.0	-0.02	1.8	0.6	-8.2	2.0	0.7	-7.6
Alc. beverages purchased from stores	-3.6		-0.5	0.3	1.92	-0.1	-0.01	1.7	0.7	-8.2	1.1	1.1	-4.4
Tobacco products	5.0	manne manne	0.21		1.11	0.05	0.00	5.6	2.1	-0.3	4.8	2.8	0.0
Cigarettes	5.0	Aurum I man	0.3		0.94	0.0	0.00	5.6	2.1	-0.3	4.8	2.8	0.1
Other tobacco products & supplies	4.1	mound in my	0.2		0.16	0.0	0.00	5.6	2.0	-0.7	4.9	2.6	-0.3
Rec. cannabis	-1.0	~~~~~	0.00		0.50	0.00	0.00						

^{*}Number may not add due to rounding

^{**} Only available for components that are tracked on a seasonally adjusted basis. Sources: Scotiabank Economics, Statistics Canada.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a "call to action" or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including; Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.