

Contributors

Derek Holt

VP & Head of Capital Markets Economics
Scotiabank Economics
416.863.7707
derek.holt@scotiabank.com

Chart 1

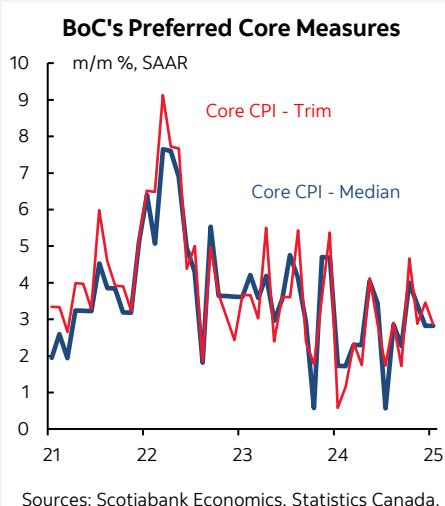
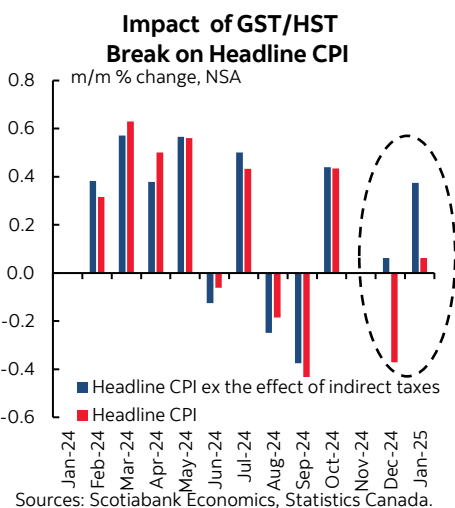


Chart 3



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 six-month 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 inflation-targeting 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

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.

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

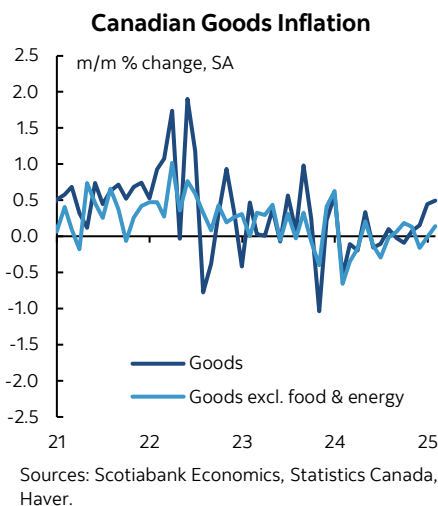


Chart 5

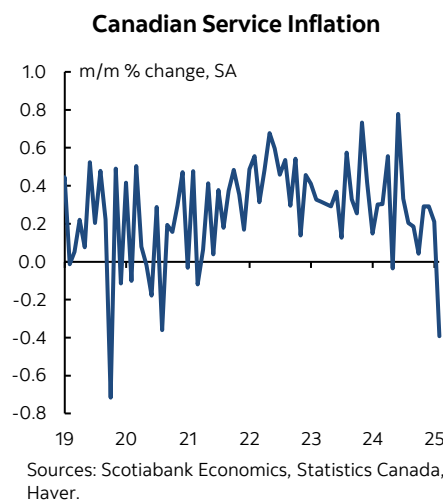
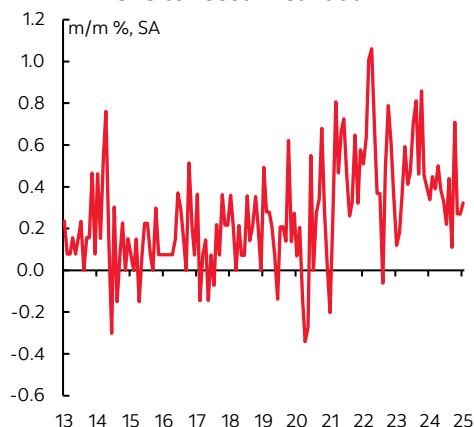


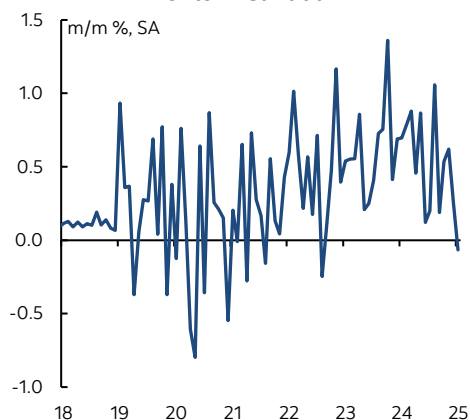
Chart 2

| 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% |
| Dec-2024 | 2.83% | 3.46% |
| Jan-2025 | 2.82% | 2.87% |

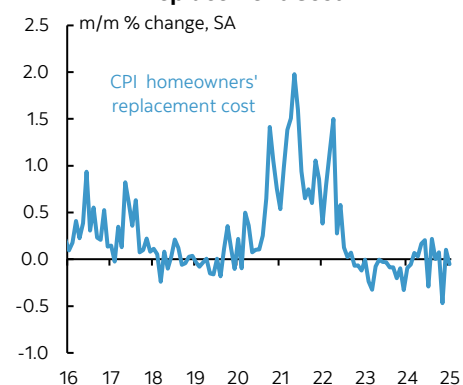
Sources: Scotiabank Economics, Other.

Chart 6
Shelter Cost in Canada


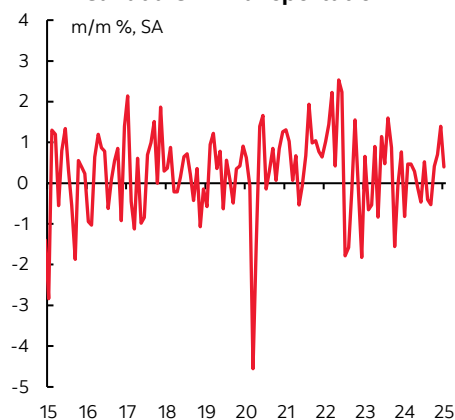
Sources: Scotiabank Economics, Statistics Canada.

Chart 7
Rents in Canada


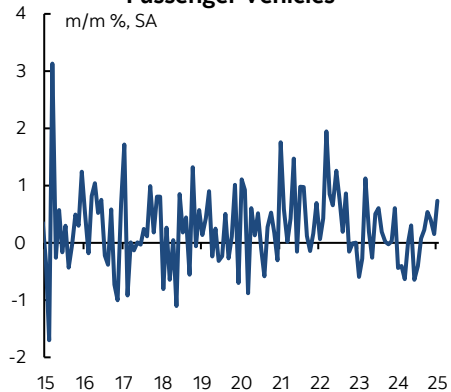
Sources: Scotiabank Economics, Statistics Canada.

Chart 8
Canada CPI: Homeowners' Replacement Cost


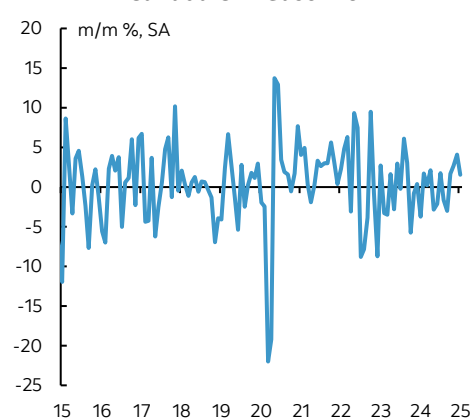
Sources: Scotiabank Economics, Statistics Canada.

Chart 9
Canada CPI: Transportation


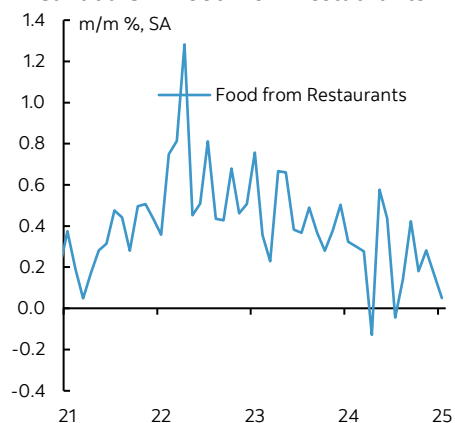
Sources: Scotiabank Economics, Statistics Canada.

Chart 10
Canada CPI: Private Purchase of Passenger Vehicles


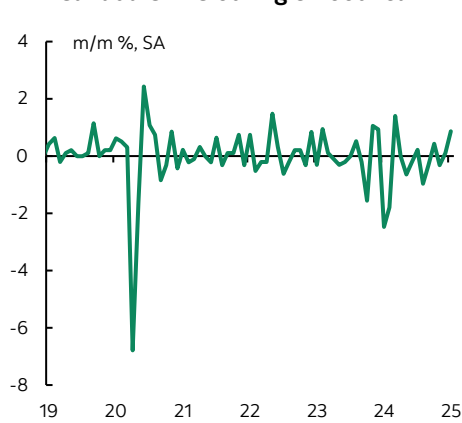
Sources: Scotiabank Economics, Statistics Canada.

Chart 11
Canada CPI: Gasoline


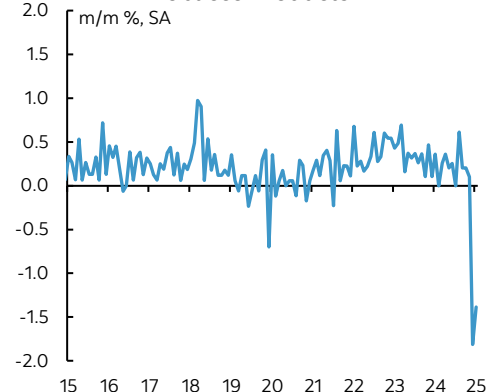
Sources: Scotiabank Economics, Statistics Canada.

Chart 12
Canada CPI: Food from Restaurants


Sources: Scotiabank Economics, Statistics Canada.

Chart 13
Canada CPI: Clothing & Footwear


Sources: Scotiabank Economics, Statistics Canada.

Chart 14
Canada CPI: Alcoholic Beverages & Tobacco Products


Sources: Scotiabank Economics, Statistics Canada.

Chart 15

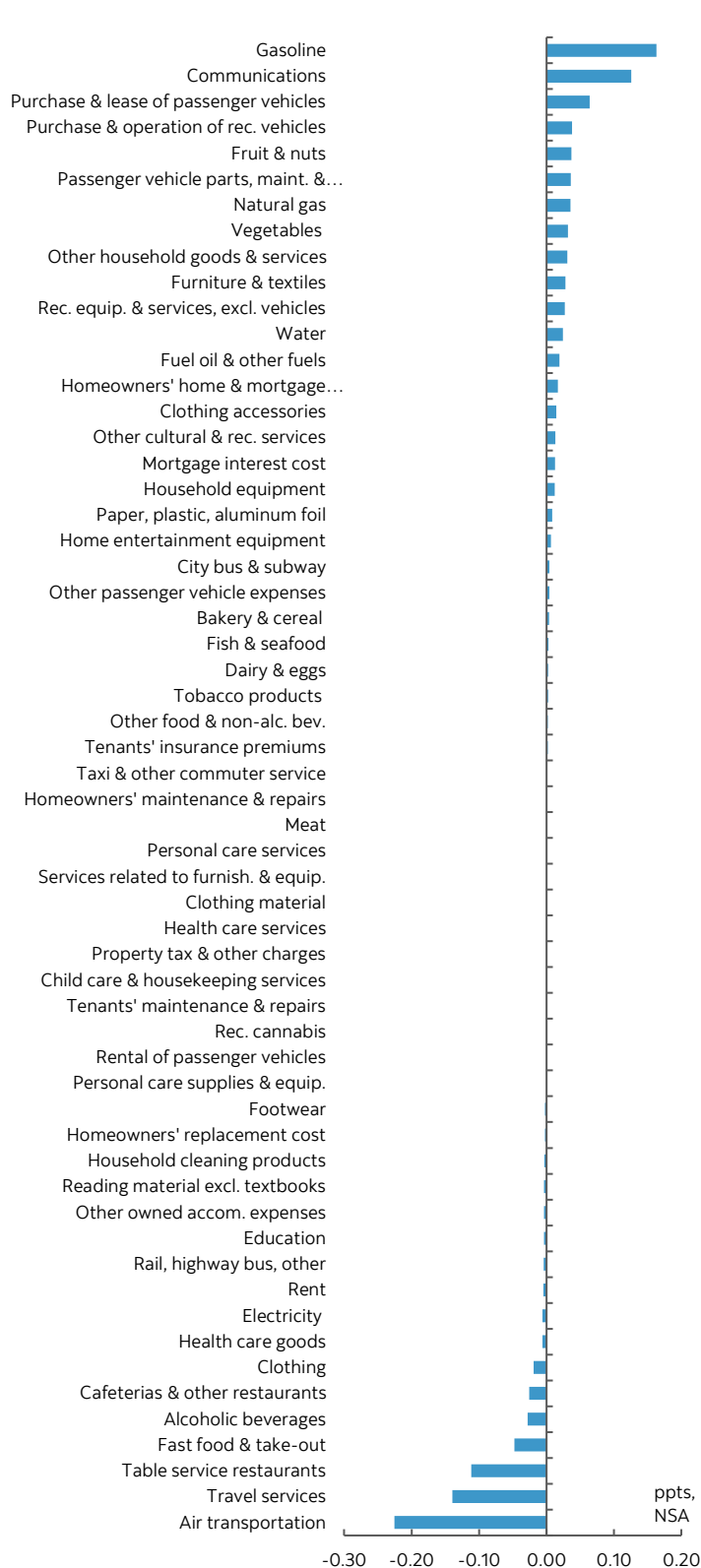
January Detailed Category Monthly Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada.

Chart 16

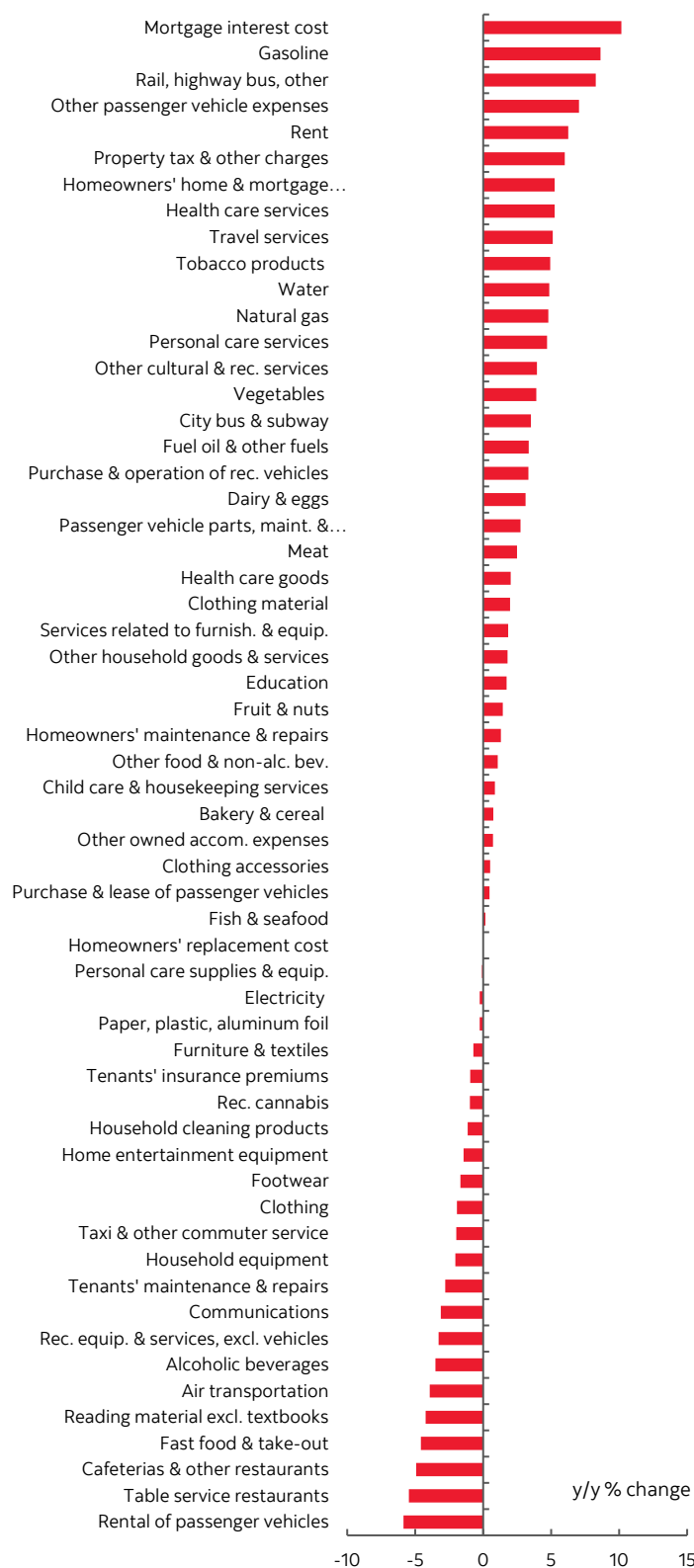
January Detailed Category Contributions to Monthly Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada.

Chart 17

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





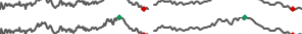
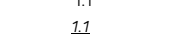
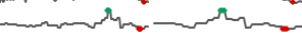
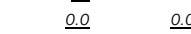

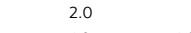

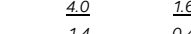

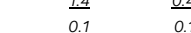

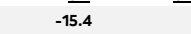

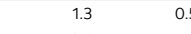

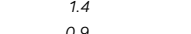

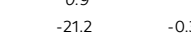
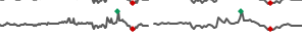
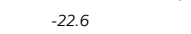

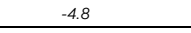





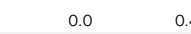

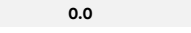

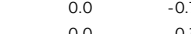
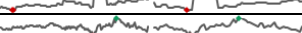
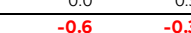

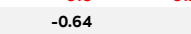

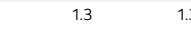

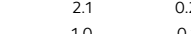

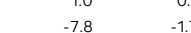
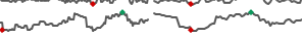
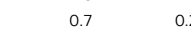



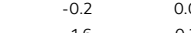

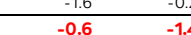

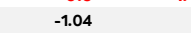



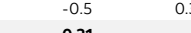

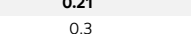

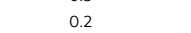

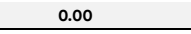


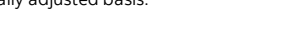















Sources: Scotiabank Economics, Statistics Canada.

February 18, 2025

Global Economics

February 18, 2025

| Jan 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, NSA | m/m % change, SA** | Weights (%) | y/y | m/m | 2015–2019 avg. y/y | Std. Dev. | Z-Score | 2011–2019 avg. y/y | Std. Dev. | Z-Score |
| Transportation | 3.4 |  |  | -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 |  |  | 1.1 | | 5.76 | 0.03 | 0.06 | 2.3 | 1.5 | -1.2 | 1.9 | 1.6 | -0.9 |
| <u>Purchase & lease of passenger vehicles</u> | <u>0.5</u> |  |  | <u>1.1</u> | | <u>5.73</u> | <u>0.03</u> | <u>0.06</u> | <u>2.3</u> | <u>1.5</u> | <u>-1.3</u> | <u>1.9</u> | <u>1.6</u> | <u>-0.9</u> |
| <u>Rental of passenger vehicles</u> | <u>-5.8</u> |  |  | <u>0.0</u> | <u>0.0</u> | <u>0.03</u> | <u>0.00</u> | <u>0.00</u> | <u>1.4</u> | <u>5.2</u> | <u>-1.4</u> | <u>1.2</u> | <u>4.1</u> | <u>-1.7</u> |
| Operation of passenger vehicles | 6.4 |  |  | 2.0 | | 9.52 | 0.61 | 0.19 | 0.7 | 5.7 | 1.0 | 2.4 | 5.4 | 0.7 |
| <u>Gasoline</u> | <u>8.6</u> |  |  | <u>4.0</u> | <u>1.6</u> | <u>4.09</u> | <u>0.35</u> | <u>0.16</u> | <u>-0.6</u> | <u>13.5</u> | <u>0.7</u> | <u>3.0</u> | <u>12.2</u> | <u>0.5</u> |
| <u>Passenger vehicle parts, maintenance & repairs</u> | <u>2.7</u> |  |  | <u>1.4</u> | <u>0.4</u> | <u>2.50</u> | <u>0.07</u> | <u>0.04</u> | <u>1.9</u> | <u>0.3</u> | <u>2.3</u> | <u>1.6</u> | <u>0.8</u> | <u>1.4</u> |
| <u>Other passenger vehicle expenses</u> | <u>7.1</u> |  |  | <u>0.1</u> | <u>0.1</u> | <u>2.93</u> | <u>0.21</u> | <u>0.00</u> | <u>2.4</u> | <u>2.2</u> | <u>2.1</u> | <u>2.6</u> | <u>2.0</u> | <u>2.3</u> |
| Public trans. | -1.9 |  |  | -15.4 | | 1.62 | -0.03 | -0.25 | 4.8 | 3.9 | -1.7 | 3.4 | 3.7 | -1.4 |
| Local & 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 |
| <u>City bus & subway</u> | <u>3.5</u> |  |  | <u>1.4</u> | | <u>0.31</u> | <u>0.01</u> | <u>0.00</u> | <u>2.1</u> | <u>0.7</u> | <u>1.9</u> | <u>2.8</u> | <u>1.4</u> | <u>0.5</u> |
| <u>Taxi & other commuter service</u> | <u>-2.0</u> |  |  | <u>0.9</u> | | <u>0.12</u> | <u>0.00</u> | <u>0.00</u> | <u>0.1</u> | <u>0.8</u> | <u>-2.6</u> | <u>0.9</u> | <u>1.2</u> | <u>-2.3</u> |
| Inter-city transportation | -3.0 |  |  | -21.2 | -0.3 | 1.08 | -0.03 | -0.23 | 6.2 | 5.7 | -1.6 | 3.9 | 5.8 | -1.2 |
| <u>Air transportation</u> | <u>-3.9</u> |  |  | <u>-22.6</u> | | <u>1.00</u> | <u>-0.04</u> | <u>-0.23</u> | <u>6.5</u> | <u>6.2</u> | <u>-1.7</u> | <u>4.0</u> | <u>6.4</u> | <u>-1.2</u> |
| <u>Rail, highway bus, other</u> | <u>8.3</u> |  |  | <u>-4.8</u> | | <u>0.09</u> | <u>0.01</u> | <u>0.00</u> | <u>2.7</u> | <u>1.8</u> | <u>3.2</u> | <u>2.0</u> | <u>4.2</u> | <u>1.5</u> |
| 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 |  |  | -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 |  |  | 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 |  |  | 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 |  |  | -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 |  |  | -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 |  |  | 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 |  |  | 1.0 | 0.1 | 0.66 | 0.0 | 0.01 | -3.8 | 2.0 | 1.2 | -4.9 | 2.2 | 1.6 |
| Travel 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 |  |  | 0.7 | 0.2 | 1.91 | 0.1 | 0.01 | 3.5 | 1.1 | 0.5 | 3.4 | 1.4 | 0.4 |
| Educ. & reading | 1.0 |  |  | -0.38 | | 2.05 | 0.02 | -0.01 | 2.5 | 1.4 | -1.1 | 3.0 | 1.1 | -1.8 |
| Education | 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 |  |  | 0.21 | | 1.11 | 0.05 | 0.00 | 5.6 | 2.1 | -0.3 | 4.8 | 2.8 | 0.0 |
| Cigarettes | 5.0 |  |  | 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 |  |  | 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 Casa de Bolsa, S.A. de C.V., 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 are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential 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.