

Contributors

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Chart 2

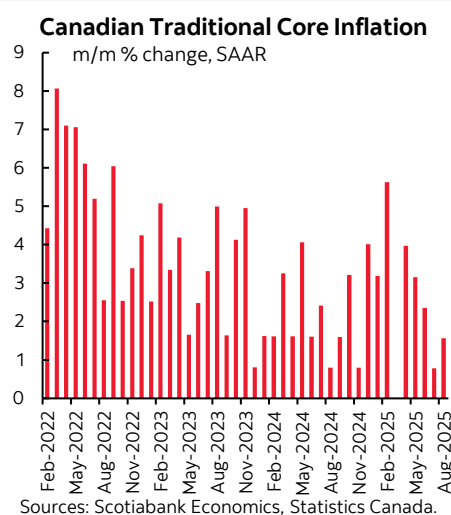
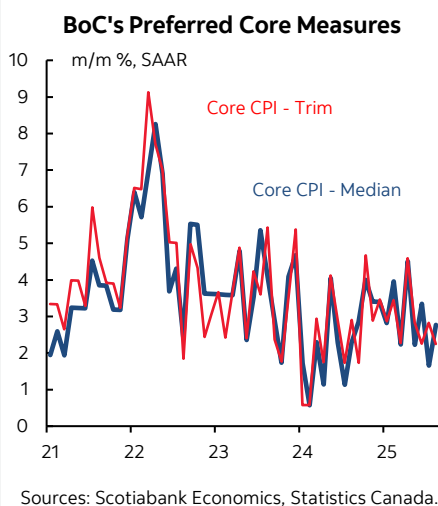


Chart 3



Canadian CPI: Didn't Matter, But Didn't Hurt Either

- Core inflation continued to ebb in August, extending a multi-month trend...
- ...giving data-dependent cover for the BoC to cut tomorrow...
- ...that reinforces forward-looking arguments for a cut...
- ...that only began to change materially in September

Canadian CPI, m/m%, NSA, August:

Actual: -0.1

Scotia: 0.1

Consensus 0.0:

Prior: 0.3

Trimmed mean CPI: 2.25% m/m SAAR

Weighted median CPI: 2.8% m/m SAAR

CPI ex-f&e CPI: 1.6% m/m m/m SAAR

Canadian core inflation cemented a rate cut by the Bank of Canada tomorrow. That was our call before the numbers, and I gave reasons in my morning note about why today's CPI print didn't matter anyway ([here](#)). The figures didn't hurt the call either as markets now have a cut fully priced and at least another one on the bag of chips theory (you can't just take one out...). Shops that thought otherwise would presumably be changing their calls now, or would have to come up with some other new reason for holding out. For the BoC to hold tomorrow would need extremely good arguments in order to avoid materially tightening financial conditions by wiping out priced cuts.

The BoC Call

Until the start of September, markets had only a slight chance at a cut priced for tomorrow. They had spent the whole year trapped in a cycle of pushing out cut expectations and getting disappointed in serial fashion. Cut narratives were delivered on a lark absent enough supporting evidence—until the facts changed relatively recently which motivated a change in our long-held pause rate call. Reciprocal tariffs are gone. The US job market dramatically weakened including massive downward revisions that raise doubts about US resilience and what it means to Canada's economy. The Canadian job market suddenly began souring. GDP disappointed despite strength in the domestic economy and tracking for Q3 GDP is looking soft which adds to modest slack. There are points and counterpoints about each of these arguments in the cut versus hold cases that I went over in my weekly ([here](#)), but the balance of the evidence significantly favours a cut—for now.

Chart 1

Canadian Core CPI Measures			
Month	Weighted Median	Trimmed Mean	Traditional Core
Jan-2024	1.7	0.6	1.6
Feb-2024	0.6	0.6	1.6
Mar-2024	2.3	2.9	3.3
Apr-2024	1.1	1.7	1.6
May-2024	4.0	4.1	4.1
Jun-2024	2.3	2.9	1.6
Jul-2024	1.1	1.7	2.4
Aug-2024	2.3	2.9	0.8
Sep-2024	2.8	1.7	1.6
Oct-2024	4.0	4.7	3.2
Nov-2024	3.4	2.9	0.8
Dec-2024	3.4	3.5	4.0
Jan-2025	2.8	2.9	3.2
Feb-2025	4.0	3.4	5.6
Mar-2025	2.2	2.3	0.0
Apr-2025	4.5	4.6	4.0
May-2025	2.2	2.8	3.2
Jun-2025	3.3	2.3	2.4
July-2025	1.7	2.8	0.8
Aug-2025	2.8	2.2	1.6

Sources: Scotiabank Economics, Statistics Canada.

CPI Details

First, ignore headline CPI. It accelerated from 1.7% to 1.9% y/y partly due to a shift in year-ago base effects and a mild 0.2% m/m SA rise in August. This measure is distorted by the early April elimination of the consumer portion of the carbon tax which will depress the year-over-year headline CPI reading until next Spring when it should bounce higher once the data starts comparing to a year-ago starting point after April's carbon tax change.

Key, however, is that all of the core inflation gauges were soft which extends the multi-month softening trend to provide data dependent cover for a cut (chart 1). Forward-looking arguments matter more as argued in my weekly, but current data strengthens the case for a cut.

Traditional core CPI was up by only 1.6% m/m at a seasonally adjusted and annualized rate. Its three month moving average is also just 1.6% m/m SAAR (chart 2).

Trimmed mean CPI was up by 2.25% m/m SAAR (chart 3). Its three-month moving average is just 2.4%.

Weighted median CPI was up by 2.8% m/m SAAR (also chart 3). Its three-month moving average is 2.6%.

CPI excluding the effects of food, energy and indirect taxes was up by 1.6% m/m SAAR and that is our shop's favourite although there have not been signs that Governing Council agrees. CPI excluding the eight most volatile items was up 0.8% m/m SAAR. CPIX was up 0.8% as well.

Further, breadth pulled back again (chart 4).

Services inflation has been softening (chart 5).

Core goods inflation (ex-food and energy) has also been softening (chart 6).

Recreation/reading/education—or the leisure category—fell -0.2% m/m SA and carries about a 10% weight as travel prices conflicted (chart 7).

Statcan got out the etch-a-sketch for revisions and scribbled what's shown in chart 8. They don't revise underlying seasonally UNadjusted price data, but they do revise SA factors each time in a mechanistic model-based way using standard international procedures. The revisions each month cancel out over time in a series of wild ups and downs but lend caution to attaching too much significance to any one month's data.

Charts 9–17 break down individual parts of the basket. Charts 18–19 break it down in m/m and weighted contributions to m/m inflation. Charts 20–21 do likewise for year-over-year. Also see the accompanying detailed table.

Chart 4

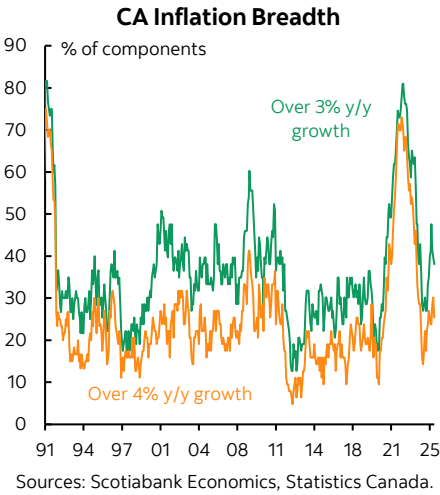


Chart 6

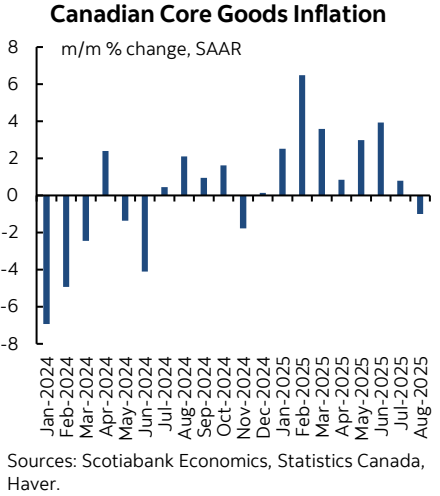


Chart 5

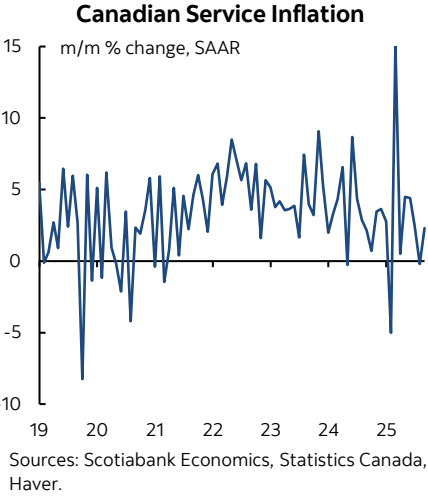


Chart 8

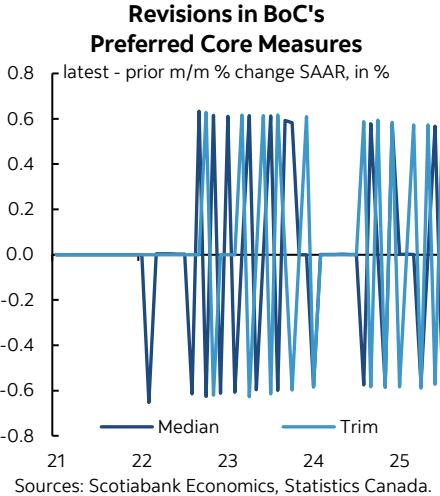


Chart 7

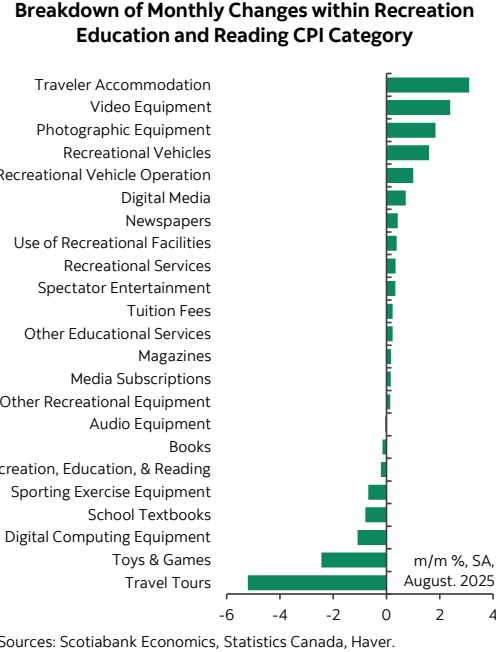
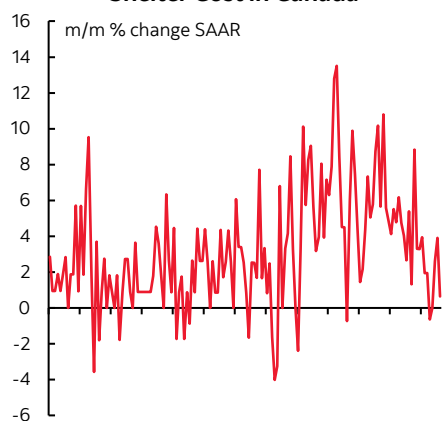
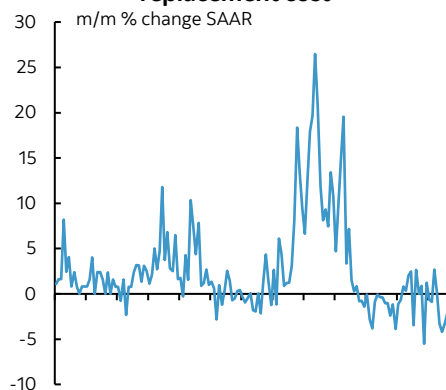
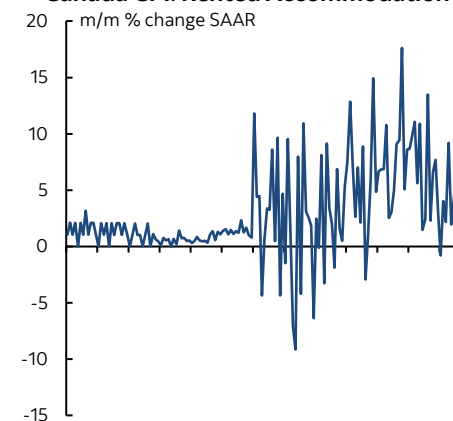


Chart 9
Shelter Cost in Canada


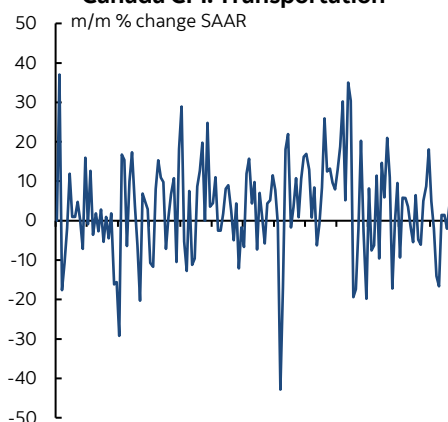
Sources: Scotiabank Economics, Statistics Canada.

Chart 10
Canada CPI: Homeowners' replacement cost


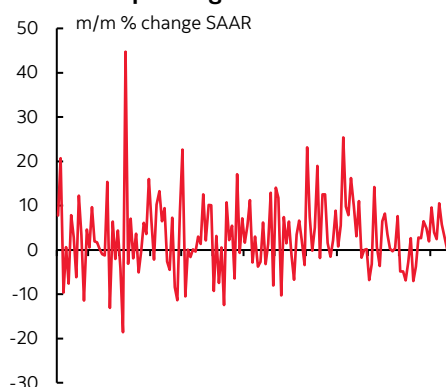
Sources: Scotiabank Economics, Statistics Canada.

Chart 11
Canada CPI: Rented Accommodation


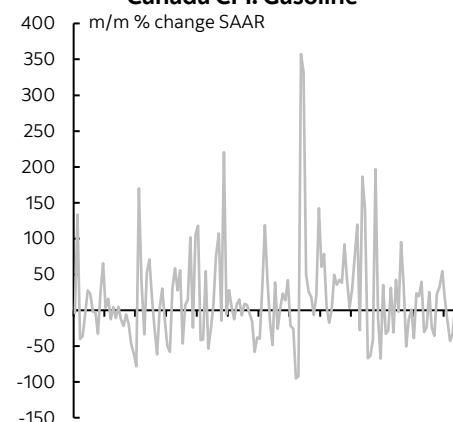
Sources: Scotiabank Economics, Statistics Canada.

Chart 12
Canada CPI: Transportation


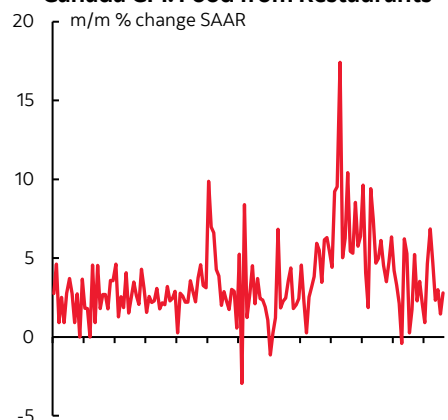
Sources: Scotiabank Economics, Statistics Canada.

Chart 13
Canada CPI: Purchase of passenger vehicles


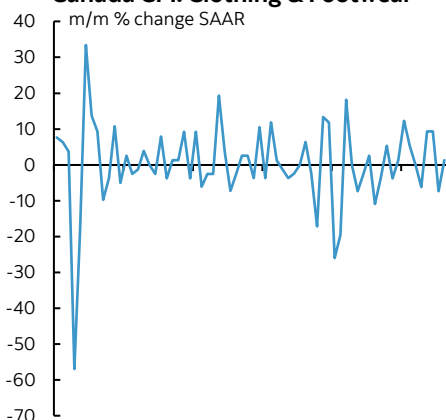
Sources: Scotiabank Economics, Statistics Canada.

Chart 14
Canada CPI: Gasoline


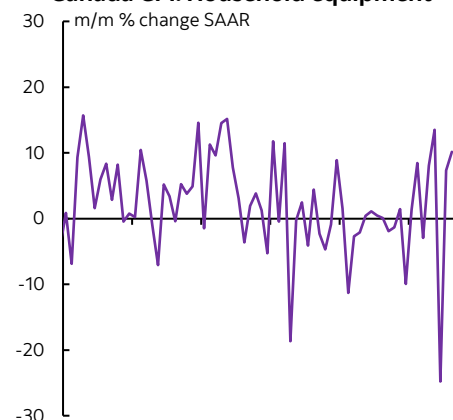
Sources: Scotiabank Economics, Statistics Canada.

Chart 15
Canada CPI: Food from Restaurants


Sources: Scotiabank Economics, Statistics Canada.

Chart 16
Canada CPI: Clothing & Footwear


Sources: Scotiabank Economics, Statistics Canada.

Chart 17
Canada CPI: Household equipment


Sources: Scotiabank Economics, Statistics Canada.

Chart 18

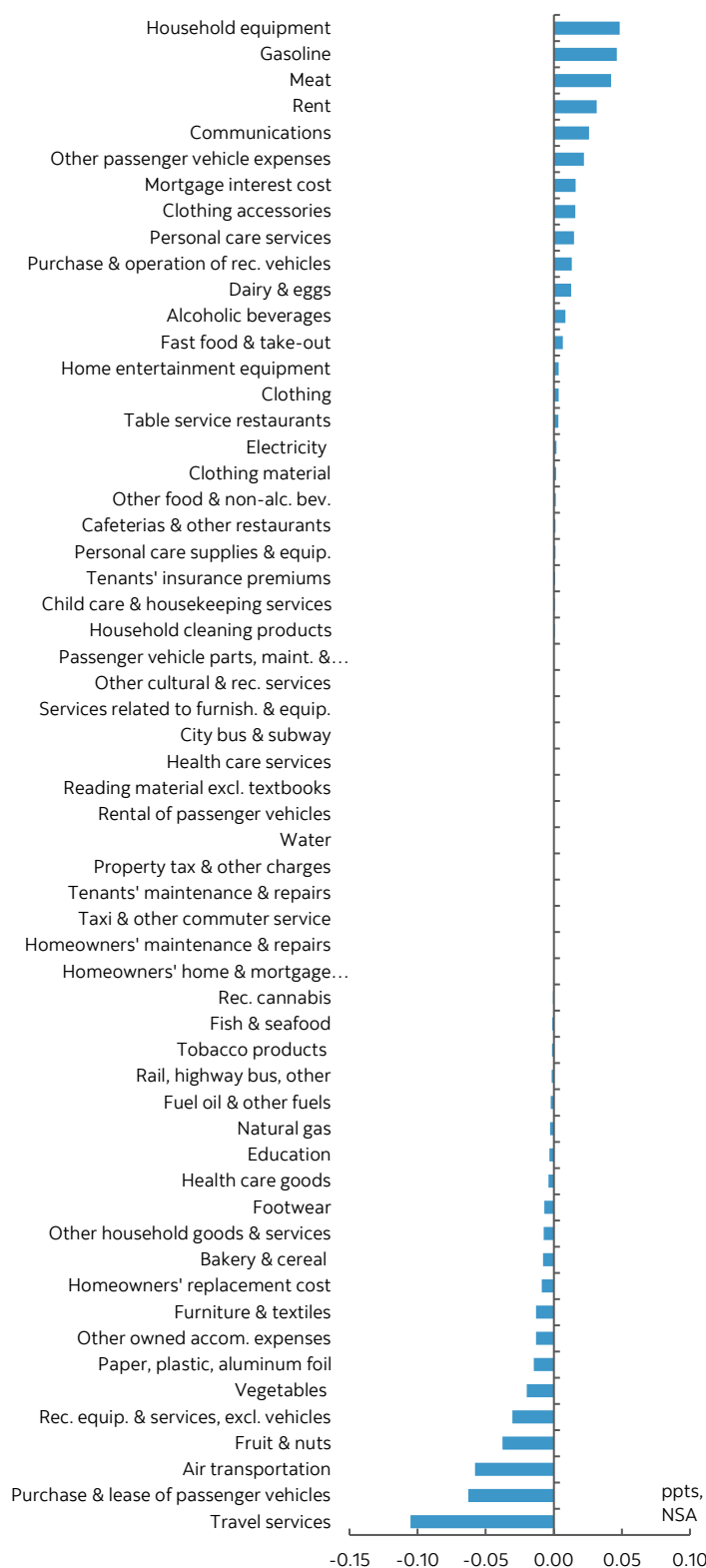
August Detailed Category Monthly Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada.

Chart 19

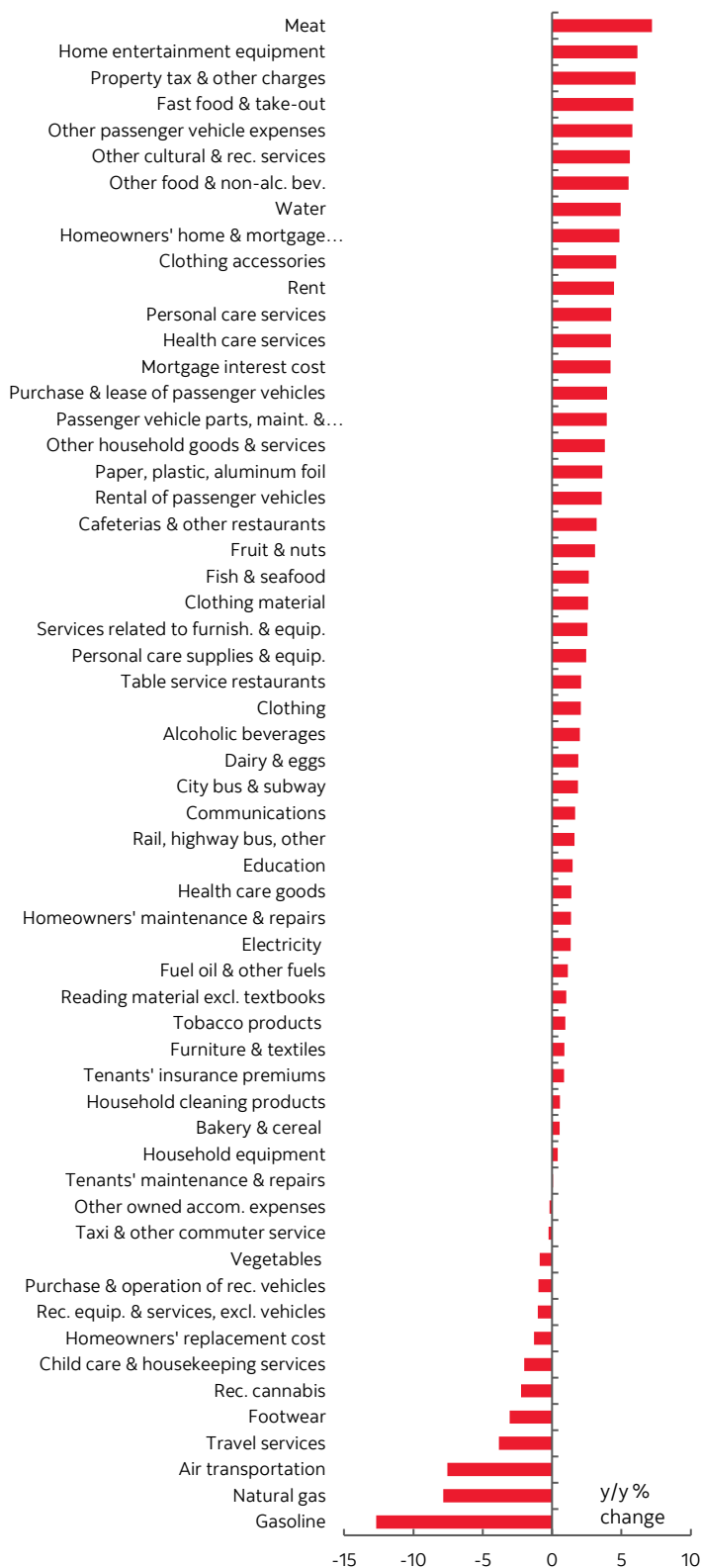
August Detailed Category Contributions to Monthly Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada.

Chart 20

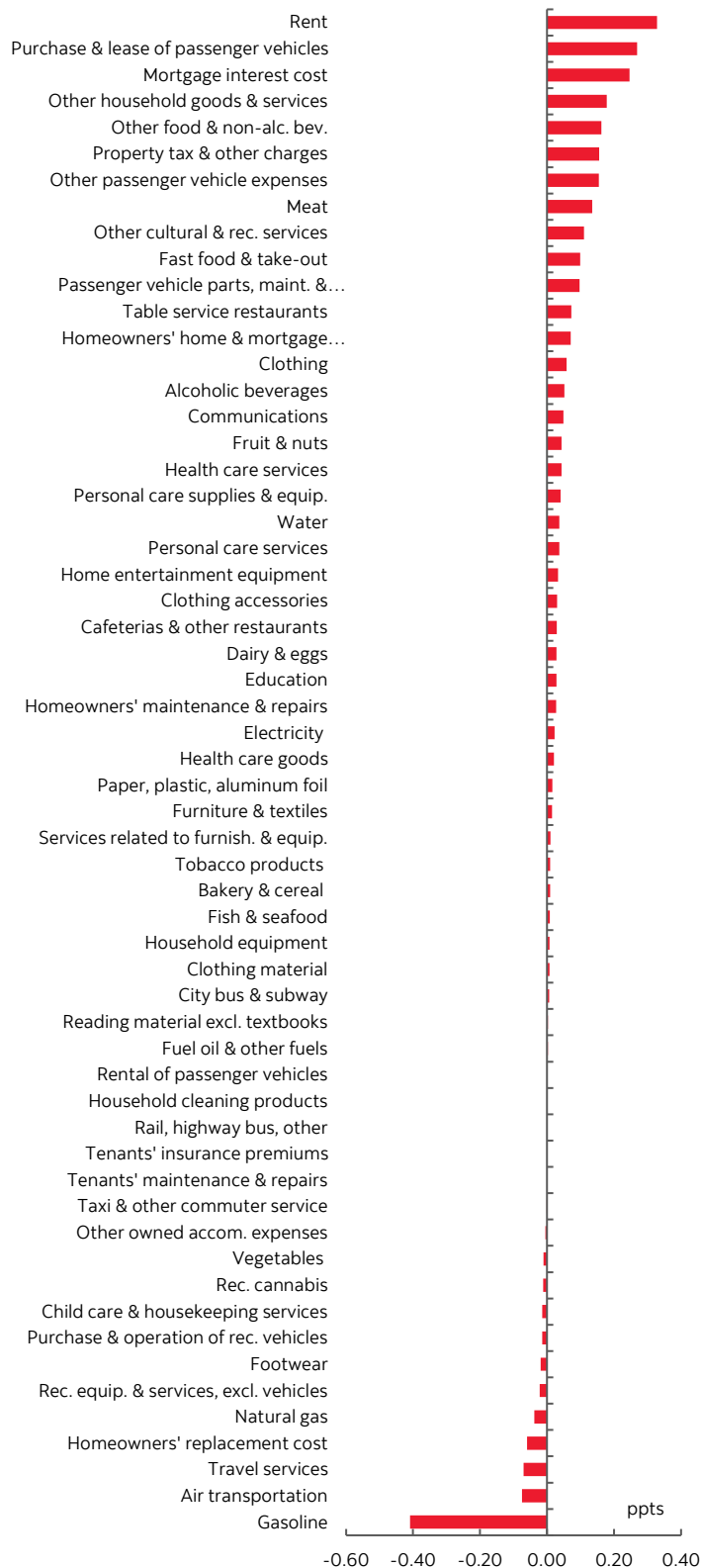
August Detailed Category 12-Month Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada.

Chart 21




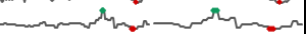

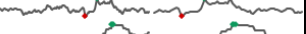
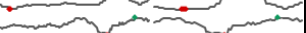


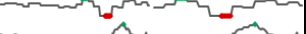

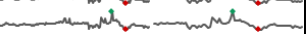



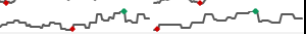

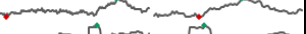
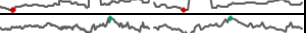














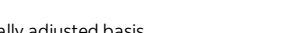
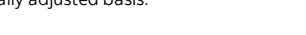






August Detailed Category Contributions to 12-Month Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada.

Aug 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
Food	3.4			0.0	0.3	16.91	0.58	0.00	2.1	1.7	0.8	2.2	1.5	0.9
Food, stores	3.5			-0.1		10.86	0.38	-0.01	1.7	2.4	0.7	2.0	2.0	0.7
Meat	7.2			2.2	1.9	1.87	0.13	0.04	2.5	3.6	1.3	3.4	3.6	1.1
Fish & seafood	2.7			-0.3	-0.2	0.32	0.01	0.00	2.9	1.4	-0.2	2.8	2.5	0.0
Dairy products & eggs	1.9			0.9	1.0	1.50	0.03	0.01	0.2	1.5	1.1	0.6	1.5	0.8
Bakery & cereal products	0.6			-0.5	-0.1	1.60	0.01	-0.01	0.5	2.1	0.0	1.2	2.3	-0.3
Fruit, fruit prep. & nuts	3.1			-2.7	-1.3	1.40	0.04	-0.04	1.8	4.4	0.3	2.0	3.5	0.3
Vegetables & vegetable prep.	-0.9			-1.6	0.5	1.22	-0.01	-0.02	4.9	6.4	-0.9	3.6	5.8	-0.8
Other food & non-alcoholic beverages	5.5			0.1	-0.2	2.95	0.16	0.00	1.0	1.5	2.9	1.3	1.7	2.4
Food purchased from restaurants	3.3			0.1	0.2	6.05	0.20	0.01	3.0	0.7	0.4	2.6	0.7	0.9
Table service restaurants	2.1			0.1		3.46	0.07	0.00	2.9	0.6	-1.4	2.6	0.6	-0.8
Fast food & take-out	5.9			0.4		1.69	0.10	0.01	3.2	1.2	2.2	2.6	1.2	2.8
Cafeterias & other restaurants	3.2			0.1		0.90	0.03	0.00	3.0	0.6	0.4	2.6	0.7	0.9
Shelter	2.6			0.1	0.1	29.41	0.75	0.02	1.8	0.6	1.3	1.7	0.8	1.1
Rented accommodation	4.3			0.4	0.5	7.56	0.33	0.03	1.3	0.8	3.8	1.3	0.6	5.2
Rent	4.5			0.4		7.35	0.33	0.03	1.3	0.8	3.9	1.3	0.6	5.3
Tenants' insurance premiums	0.9			0.9		0.12	0.00	0.00	1.1	1.6	-0.1	0.3	1.6	0.3
Tenants' maintenance & repairs	0.1			0.0		0.09	0.00	0.00	2.2	1.0	-2.0	2.6	2.2	-1.2
Owned accommodation	2.3			-0.1		18.76	0.42	-0.01	2.3	0.4	-0.1	1.7	0.8	0.7
Mortgage interest cost	4.2			0.3	0.3	5.84	0.25	0.02	2.1	3.6	0.6	-0.1	3.6	1.2
Homeowners' replacement cost	-1.3			-0.2	-0.2	4.57	-0.06	-0.01	1.9	1.7	-1.9	2.1	1.5	-2.3
Property tax & other charges	6.0			0.0	0.4	2.59	0.16	0.00	2.4	0.6	6.4	2.8	0.7	4.6
Homeowners' home & mortgage insurance	4.8			0.0	0.6	1.45	0.07	0.00	5.2	2.3	-0.2	4.5	2.6	0.1
Homeowners' maintenance & repairs	1.4			0.0	0.0	2.01	0.03	0.00	2.0	1.1	-0.6	2.0	1.4	-0.5
Other owned accomodation expenses	-0.2			-0.6	-0.2	2.30	0.00	-0.01	2.0	1.2	-1.8	2.4	2.0	-1.3
Water, fuel, & elec.	0.5			-0.2		3.08	0.01	0.00	0.8	2.1	-0.1	2.5	3.4	-0.6
Electricity	1.4			0.1	0.1	1.65	0.02	0.00	1.2	4.4	0.0	2.5	3.8	-0.3

September 16, 2025

Aug 2025														
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	-0.5			-0.3	0.4	16.9	-0.08	-0.06	1.7	3.1	-0.7	2.3	3.0	-0.9
Private trans.	-0.1			0.1		15.2	-0.01	0.01	1.3	3.2	-0.4	2.2	3.2	-0.7
Purchase, lease, rental of passenger vehicles	4.1			-0.8		6.84	0.28	-0.06	2.3	1.5	1.2	1.9	1.6	1.4
<u>Purchase & lease of passenger vehicles</u>	<u>4.0</u>			<u>-0.9</u>		<u>6.79</u>	<u>0.27</u>	<u>-0.06</u>	<u>2.3</u>	<u>1.5</u>	<u>1.1</u>	<u>1.9</u>	<u>1.6</u>	<u>1.3</u>
<u>Rental of passenger vehicles</u>	<u>3.6</u>			<u>0.0</u>	<u>-1.1</u>	<u>0.06</u>	<u>0.00</u>	<u>0.00</u>	<u>1.4</u>	<u>5.2</u>	<u>0.4</u>	<u>1.2</u>	<u>4.1</u>	<u>0.6</u>
Operation of passenger vehicles	-2.3			0.8		8.37	-0.20	0.07	0.7	5.7	-0.5	2.4	5.4	-0.9
<u>Gasoline</u>	<u>-12.7</u>			<u>1.4</u>	<u>1.5</u>	<u>3.23</u>	<u>-0.41</u>	<u>0.05</u>	<u>-0.6</u>	<u>13.5</u>	<u>-0.9</u>	<u>3.0</u>	<u>12.2</u>	<u>-1.3</u>
<u>Passenger vehicle parts, maintenance & repairs</u>	<u>3.9</u>			<u>0.0</u>	<u>0.2</u>	<u>2.47</u>	<u>0.10</u>	<u>0.00</u>	<u>1.9</u>	<u>0.3</u>	<u>5.8</u>	<u>1.6</u>	<u>0.8</u>	<u>3.0</u>
<u>Other passenger vehicle expenses</u>	<u>5.8</u>			<u>0.8</u>	<u>0.8</u>	<u>2.66</u>	<u>0.15</u>	<u>0.02</u>	<u>2.4</u>	<u>2.2</u>	<u>1.6</u>	<u>2.6</u>	<u>2.0</u>	<u>1.6</u>
Public trans.	-4.6			-3.9		1.69	-0.08	-0.07	4.8	3.9	-2.4	3.4	3.7	-2.2
Local & commuter transportation	1.2			0.0	-0.2	0.46	0.01	0.00	1.5	0.5	-0.6	2.2	1.2	-0.9
<u>City bus & subway</u>	<u>1.9</u>			<u>0.0</u>		<u>0.33</u>	<u>0.01</u>	<u>0.00</u>	<u>2.1</u>	<u>0.7</u>	<u>-0.3</u>	<u>2.8</u>	<u>1.4</u>	<u>-0.6</u>
<u>Taxi & other commuter service</u>	<u>-0.2</u>			<u>0.0</u>		<u>0.13</u>	<u>0.00</u>	<u>0.00</u>	<u>0.1</u>	<u>0.8</u>	<u>-0.5</u>	<u>0.9</u>	<u>1.2</u>	<u>-0.9</u>
Inter-city transportation	-6.8			-5.4	0.3	1.09	-0.07	-0.06	6.2	5.7	-2.3	3.9	5.8	-1.8
<u>Air transportation</u>	<u>-7.6</u>			<u>-5.9</u>		<u>0.99</u>	<u>-0.07</u>	<u>-0.06</u>	<u>6.5</u>	<u>6.2</u>	<u>-2.3</u>	<u>4.0</u>	<u>6.4</u>	<u>-1.8</u>
<u>Rail, highway bus, other</u>	<u>1.6</u>			<u>-1.4</u>		<u>0.10</u>	<u>0.00</u>	<u>0.00</u>	<u>2.7</u>	<u>1.8</u>	<u>-0.6</u>	<u>2.0</u>	<u>4.2</u>	<u>-0.1</u>
Health & personal care	2.8			0.3	0.2	5.05	0.1	0.01	1.4	0.4	3.7	1.3	0.9	1.8
Health care	2.6			-0.2		2.53	0.1	0.00	1.3	0.6	2.3	1.1	0.8	1.9
Health care goods	1.4			-0.3	-0.3	1.51	0.0	0.00	0.5	0.7	1.3	-0.1	1.1	1.4
Health care services	4.2			0.0	0.4	1.02	0.0	0.00	2.5	0.6	3.1	2.9	0.8	1.7
Personal Care	3.0			0.6		2.52	0.1	0.02	1.5	0.5	2.8	1.5	1.2	1.3
Personal care supplies & equipment	2.5			0.1	0.1	1.66	0.0	0.00	0.4	0.9	2.2	0.5	1.6	1.2
Personal care services	4.3			1.7	0.8	0.86	0.0	0.01	2.9	0.7	1.9	2.7	1.4	1.1
Recreation, education & reading	0.5			-1.2	-0.2	10.12	0.1	-0.12	1.7	0.8	-1.5	1.3	0.9	-0.8
Recreation	0.4			-1.57		7.94	0.03	-0.12	1.4	1.0	-1.0	0.6	1.2	-0.2
Recreational equipment & services, excl. vehicles	-1.0			-1.4	-0.7	2.13	0.0	-0.03	-0.8	1.6	-0.1	-2.2	2.0	0.6
Purchase & operation of recreational vehicles	-1.0			0.9	1.1	1.48	0.0	0.01	2.6	1.8	-2.0	1.9	2.0	-1.5
Home entertainment equipment	6.2			0.7	0.9	0.53	0.0	0.00	-3.8	2.0	4.9	-4.9	2.2	5.0
Travel services	-3.8			-5.8	-1.3	1.83	-0.1	-0.11	0.8	2.9	-1.6	0.4	2.8	-1.5
Other cultural & rec. services	5.6			0.0	0.3	1.97	0.1	0.00	3.5	1.1	2.0	3.4	1.4	1.6
Educ. & reading	1.4			-0.16		2.18	0.03	0.00	2.5	1.4	-0.8	3.0	1.1	-1.4
Education	1.5			-0.2	0.1	1.91	0.0	0.00	2.4	1.4	-0.7	3.0	1.2	-1.3
Reading material excl. textbooks	1.0			0.0	0.0	0.27	0.0	0.00	3.8	2.8	-1.0	3.2	2.9	-0.8
Alcoholic beverages, tobacco & rec. cannabis	1.3			0.2	0.0	3.99	0.1	0.01	3.2	1.2	-1.6	2.7	1.3	-1.1
Alcoholic beverages	2.0			0.33		2.58	0.05	0.01	1.7	0.5	0.5	1.4	0.7	0.8
Alc. beverages served in licensed establishments	3.3			0.7	-0.1	0.77	0.0	0.01	1.8	0.6	2.3	2.0	0.7	1.8
Alc. beverages purchased from stores	1.5			0.1	0.1	1.81	0.0	0.00	1.7	0.7	-0.4	1.1	1.1	0.4
Tobacco products	1.0			-0.12		1.01	0.01	0.00	5.6	2.1	-2.2	4.8	2.8	-1.4
Cigarettes	0.4			-0.2		0.89	0.0	0.00	5.6	2.1	-2.5	4.8	2.8	-1.6
Other tobacco products & supplies	4.2			0.2		0.12	0.0	0.00	5.6	2.0	-0.7	4.9	2.6	-0.3
Rec. cannabis	-2.2			-0.14		0.50	-0.01	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.

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