

Contributors

Derek Holt

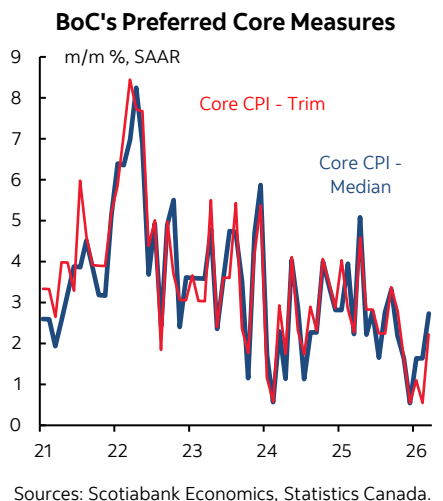
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Chart 1

Canadian Core CPI Measures			
Month	Weighted Median	Trimmed Mean	Traditional Core
Jan-2025	2.8	4.0	2.4
Feb-2025	4.0	2.9	5.6
Mar-2025	2.2	2.3	0.0
Apr-2025	5.1	4.6	4.0
May-2025	2.2	2.8	2.4
Jun-2025	2.8	2.8	3.1
July-2025	1.7	2.3	0.8
Aug-2025	2.8	2.2	1.6
Sep-2025	3.3	3.4	2.3
Oct-2025	2.2	2.8	3.1
Nov-2025	1.6	1.7	0.8
Dec-2025	0.5	0.6	3.1
Jan-2026	1.6	1.1	0.8
Feb-2026	1.6	0.6	1.5
Mar-2026	2.7	2.2	0.0

Sources: Scotiabank Economics, Statistics Canada.

Chart 2



Canada is Showing Signs of Emerging From a Soft Patch on Core Inflation

- Total CPI jumped less than consensus, matching Scotia's estimate
- That was good enough for markets...
- ...but they failed to look beneath the headline
- The BoC's traditional core measures accelerated in higher frequency terms...
- ...but traditional core CPI did not and solely because of one single category
- Breadth of price pressures remains high
- Shelter, vehicles and several other categories accelerated
- The BoC won't flinch as the focus is on the broader path forward...
- ...but it's a warning that Canada may be emerging from a temporary soft patch...
- ...even before pass through from commodities into core may begin to emerge

Canadian CPI m/m % / y/y %, NSA, March:

Actual: 0.9 / 2.4

Scotia: 0.9 / 2.4

Consensus: 1.1 / 2.6

Prior: Unrevised 0.5 / 1.8

Trimmed mean CPI m/m % SAAR: 2.2 (prior unrevised from 0.6%)

Weighted median CPI m/m % SAAR: 2.7 (prior unrevised from 1.6%)

Traditional core ex-food & energy % SAAR: 0.0 (prior 1.5 revised from 2.3%)

I think markets misread this one by only trading the headline while ignoring evidence on core inflation, a key distortion, and breadth. There is tentative evidence in favour of the view that Canada is emerging from a temporary soft patch on underlying core inflation. Still, nothing hangs in the balance on this one report which is a placeholder to be informed by the path forward.

Markets reacted by initially pushing the 2-year yield 1–2bps lower post-release after rallying into the report but are now flat on Iran headlines. Canadian 2s are very slightly outperforming US 2s on the day. CAD largely shook it off. BoC OIS meeting pricing was not materially affected.

BoC's Preferred Gauges Accelerated

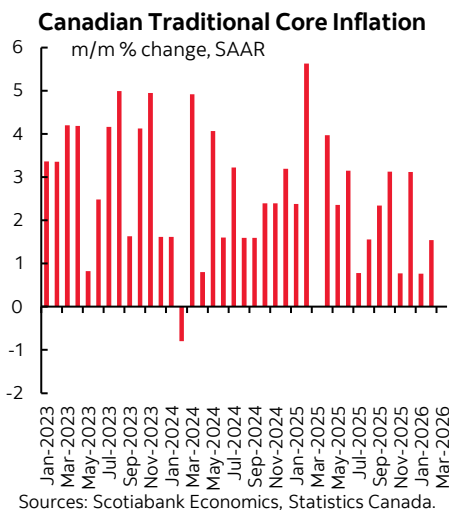
Total CPI matched my below-consensus expectations at 0.9% m/m NSA, 0.5% m/m SA and 2.4% y/y.

But the BoC's higher frequency core measures of inflation accelerated in March. Key is that Trimmed Mean CPI accelerated to 2.2% m/m SAAR for the warmest reading since October while weighted median CPI accelerated to 2.7% m/m SAAR for the warmest reading since September. Charts 1 and 2 show the outcomes.

It's worth a reminder to ignore the y/y trimmed mean and weighted median measures. They are not spot y/y calculations but rather slow-moving 12-month weighted

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Chart 3



compounded and summed up m/m measures that drop out the first month and add the latest batch of readings each month. Glaciers move faster than the y/y readings, which is why you need to look at these measures in m/m seasonally adjusted and annualized terms for evidence of price pressures at the margin.

Traditional Core CPI Decelerated Because of this One Thing

Traditional core CPI ex-food and energy decelerated to 0% m/m SAAR and its reading for the prior month was the only thing that was revised, down to 1.5% m/m SAAR from 2.3% (chart 3). The y/y calculation for this one is a spot calculation and it sits at 1.9%.

But be careful with traditional core ex-f&e. It was heavily distorted to the downside by one single category: clothing and footwear. Clothing and footwear fell -8.6% m/m SAAR in March which at a 4.4% weight in the total basket knocked 0.4 percentage points m/m SAAR off of total CPI and -0.5% m/m SAAR in weighted terms from traditional core CPI.

Monetary policy cannot target relative prices and so there is a strong case for removing clothing and footwear.

The trimmed mean and weighted median CPI measures weed out outliers which in this case included weeding out the big and distorting drop in clothing and footwear. The traditional core CPI measure does not, by definition, weed out distorting outliers and so it offered a misleading impression of broader price pressures.

Other Details

The BoC will continue to be concerned about the breadth of price increases (chart 4).

Chart 5 shows muted core goods inflation in m/m SAAR terms with chart 6 showing muted m/m services inflation. This is why traditional core CPI was soft. The BoC's preferred measures weed out the most volatile items in the tails that were responsible for keeping core goods and core services CPI down. Core goods CPI was weighed down by clothing and footwear; remove that, and core goods would have been 1% higher. Core services CPI was weighed down by auto insurance and tenant insurance (for a change...), communications, public transit and travel services.

Charts 7-16 break down components of the basket. Recreation/reading/education carries a 10.1% basket weight and its 0.2% m/m SA nonannualized rise was driven by a handful of categories and held back by two: travel tours and books; fewer travel outside of Canada and fewer folks read anything longer than a cheesy social media post these days.

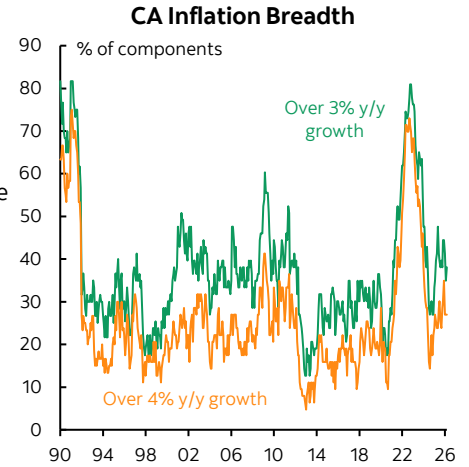
Shelter accelerated on builder prices and rent. Vehicle price inflation accelerated.

Charts 17-18 break down the basket in terms of m/m terms and weighted m/m contributions.

Charts 19-20 do likewise in y/y terms.

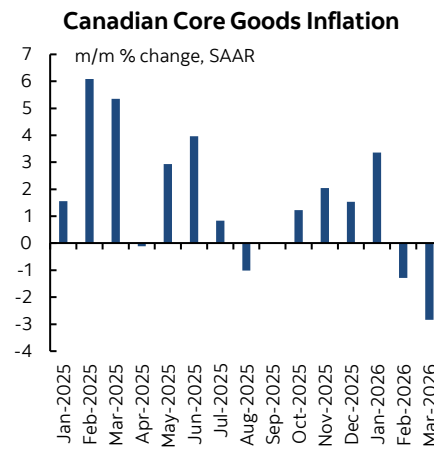
Also see the accompanying table that provides greater detail and micro charts.

Chart 4



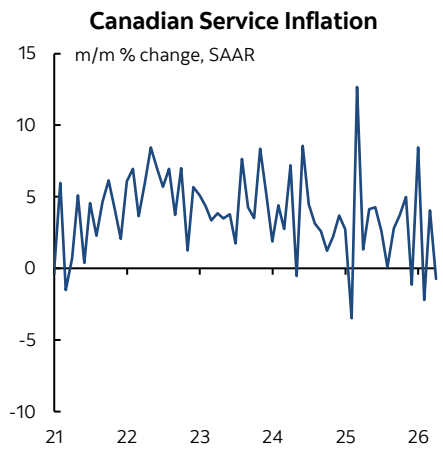
Sources: Scotiabank Economics, Statistics Canada.

Chart 5



Sources: Scotiabank Economics, Statistics Canada, Haver.

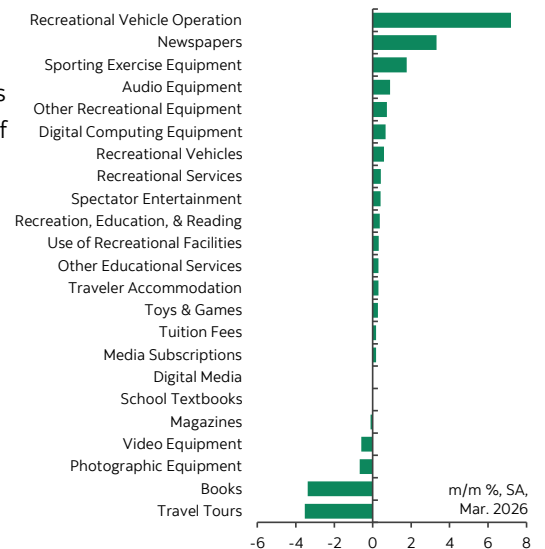
Chart 6



Sources: Scotiabank Economics, Statistics Canada, Haver.

Chart 7

Breakdown of Monthly Changes within Recreation Education and Reading CPI Category



Sources: Scotiabank Economics, Statistics Canada, Haver.

Chart 8

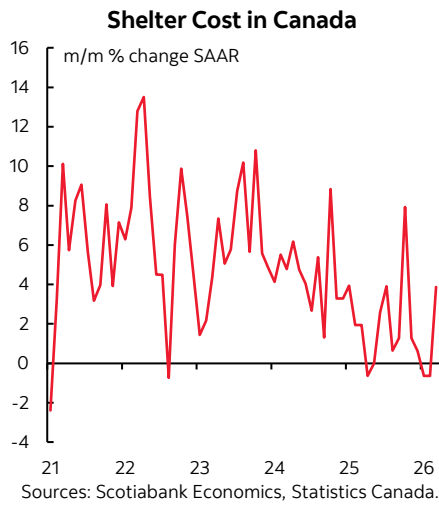


Chart 9

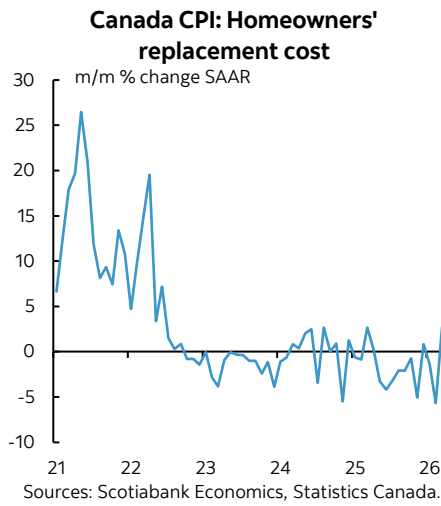


Chart 10

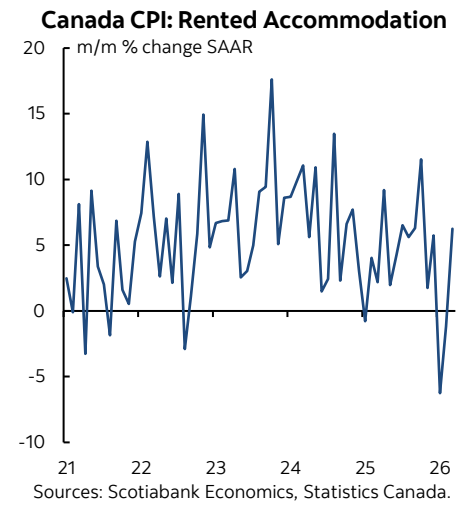


Chart 11

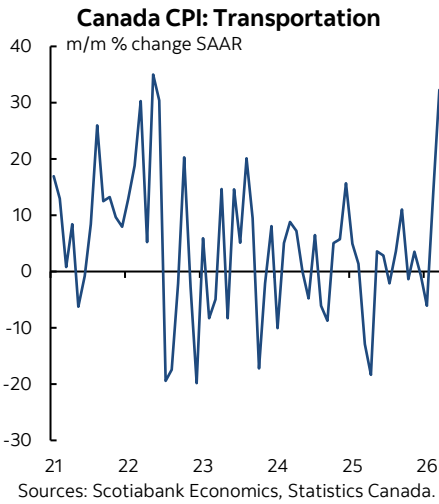


Chart 12

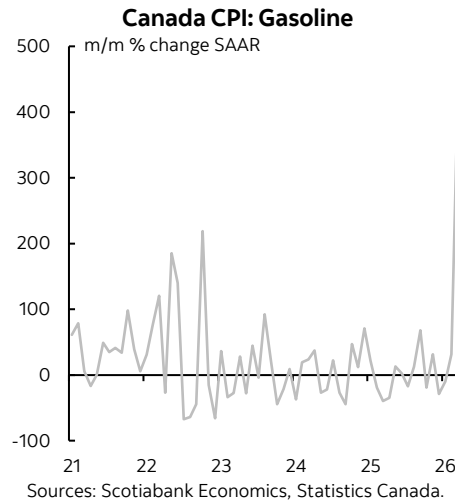


Chart 13

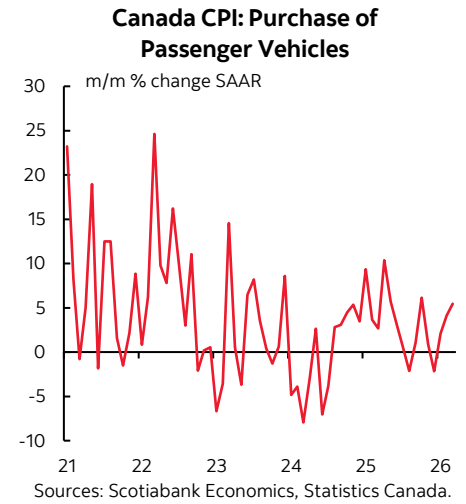


Chart 14

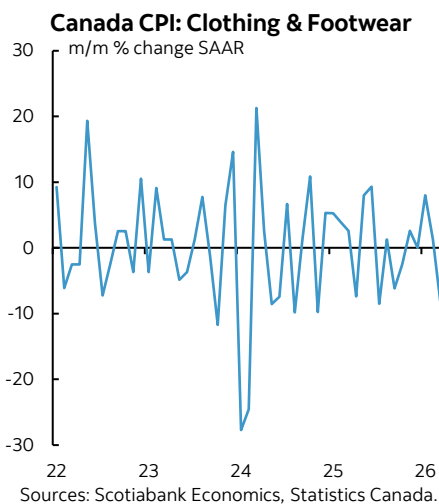


Chart 15

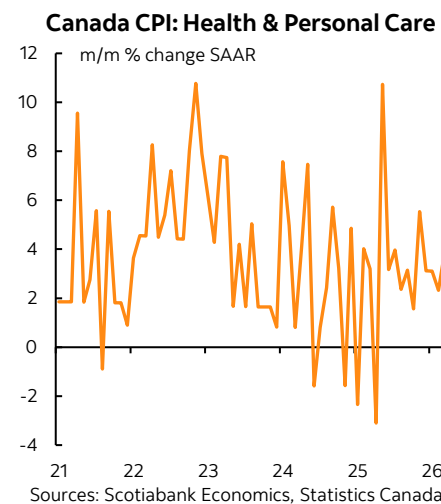


Chart 16

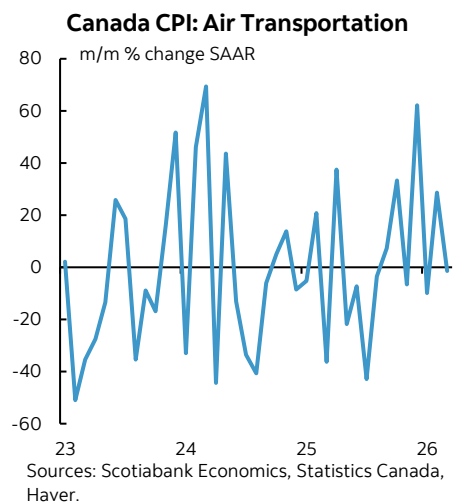


Chart 17

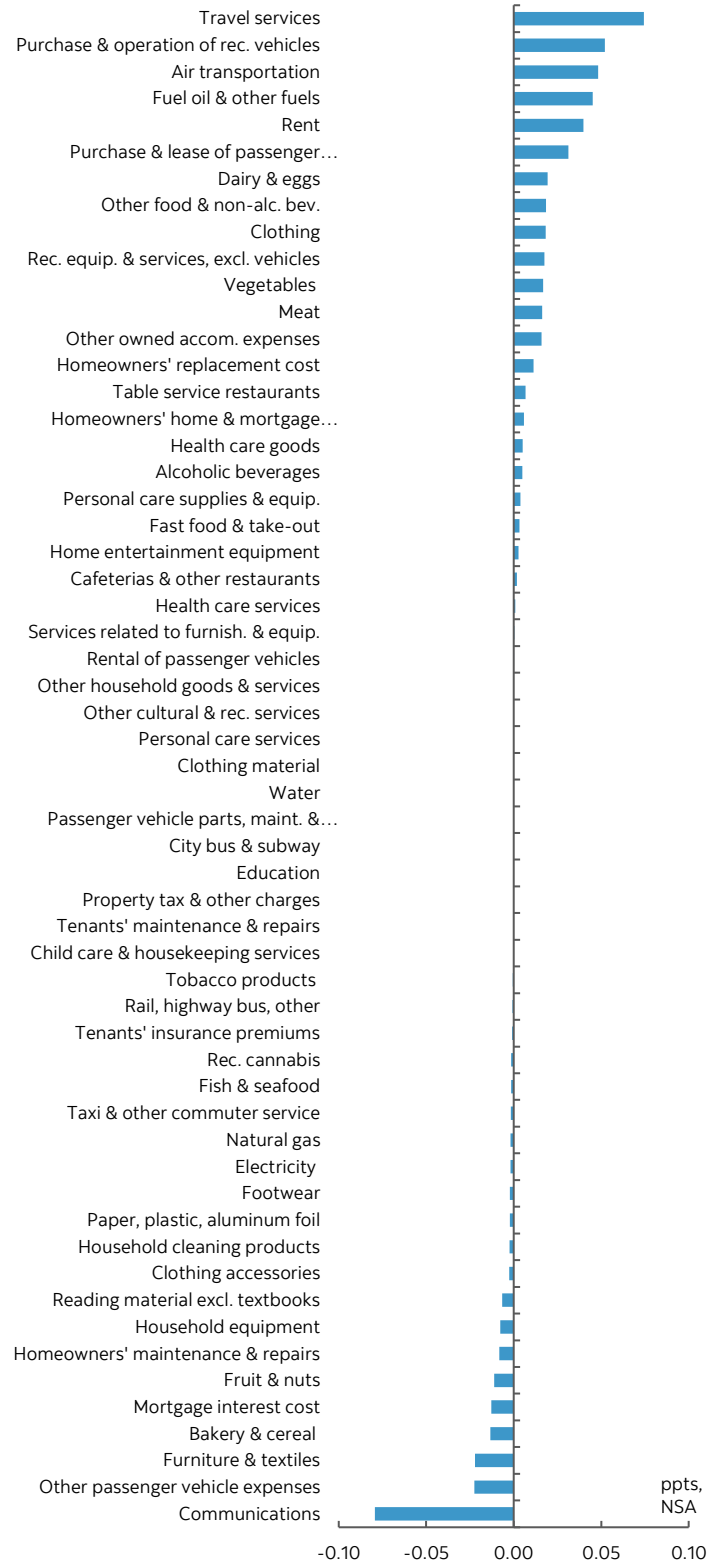
March Detailed Category Monthly Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada.

Chart 18

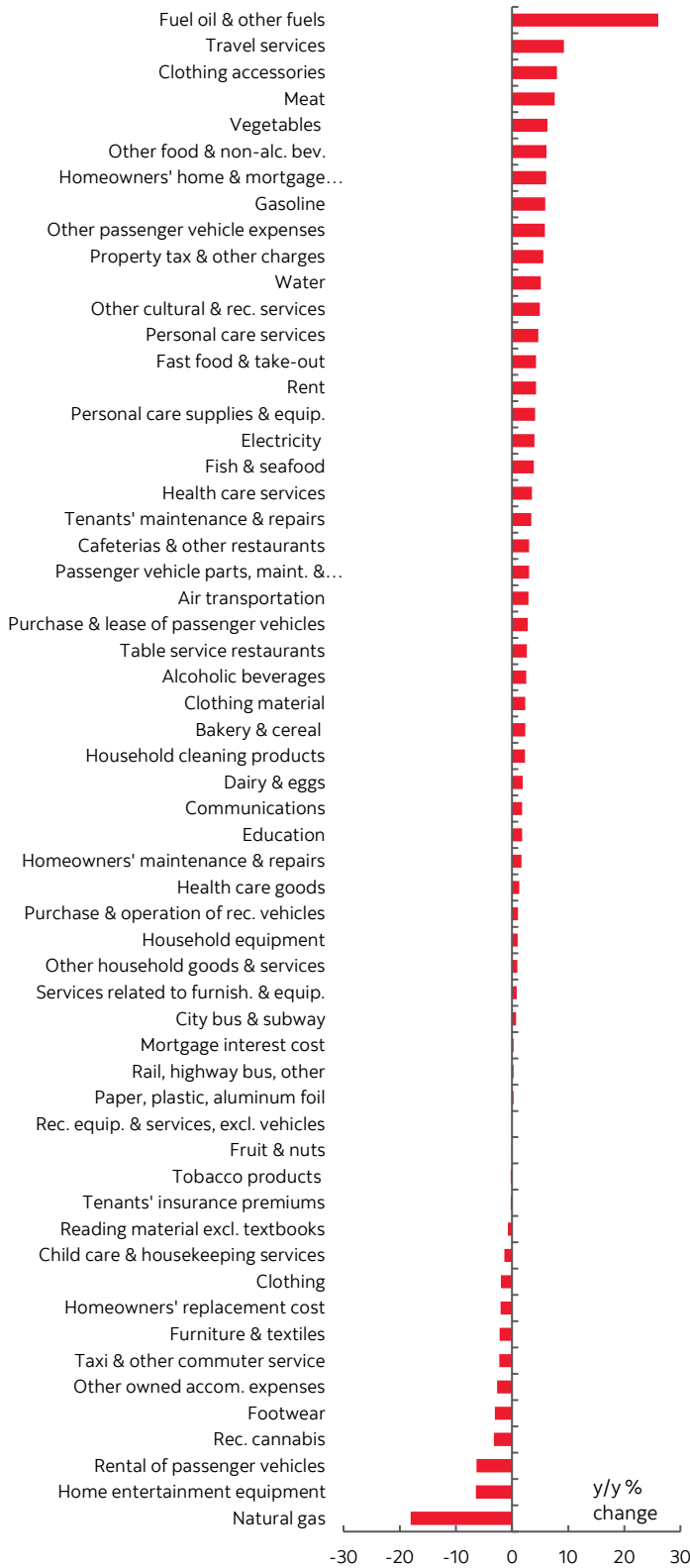
March Detailed Category Contributions to Monthly Change in Canadian CPI Excluding Gasoline



Sources: Scotiabank Economics, Statistics Canada.

Chart 19

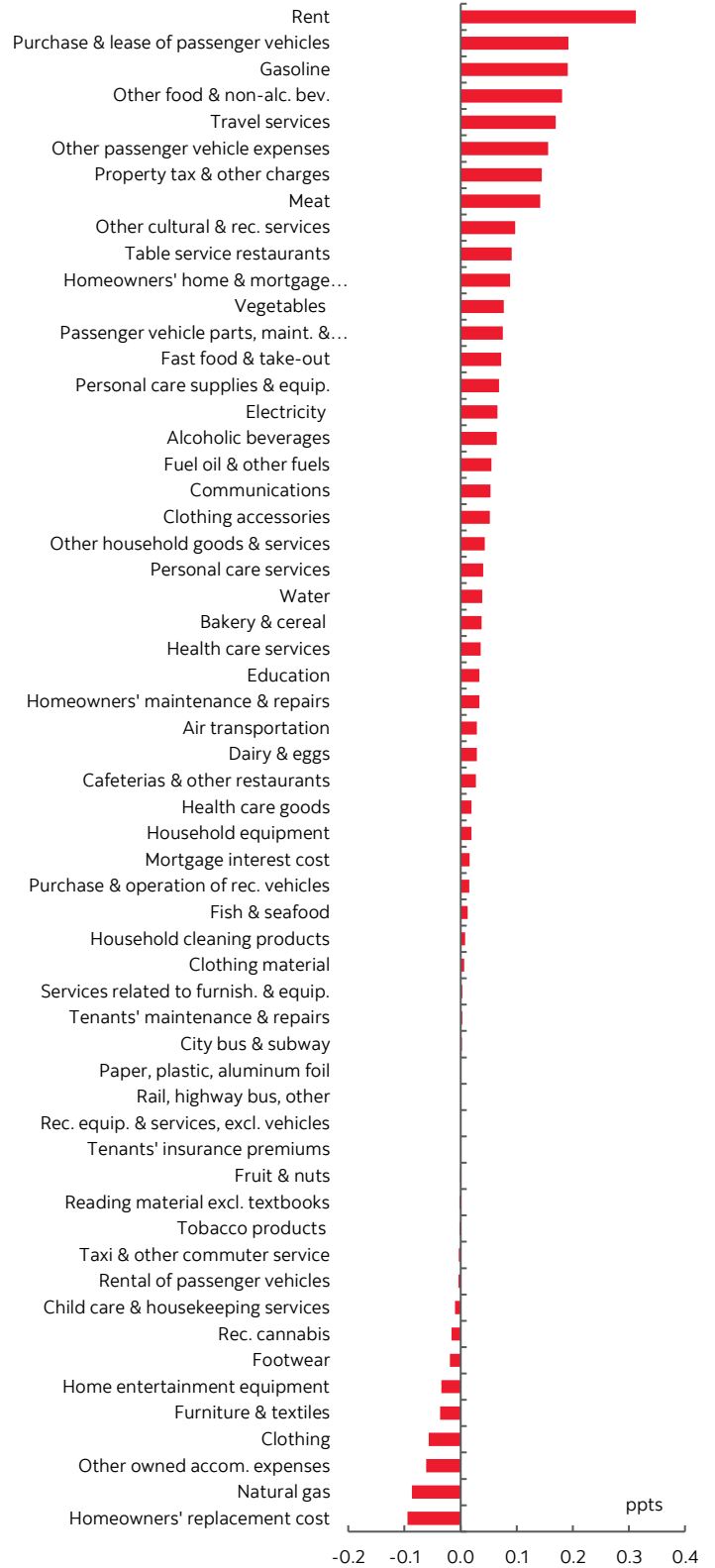
March Detailed Category 12-Month Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada.

Chart 20

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



Sources: Scotiabank Economics, Statistics Canada.

Mar 2026						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	4.0			0.3	0.4	16.91	0.67	0.06	2.1	1.7	1.1	2.2	1.5	1.2
Food, stores	4.4			0.4		10.86	0.48	0.04	1.7	2.4	1.1	2.0	2.0	1.2
Meat	7.6			0.9	0.5	1.87	0.14	0.02	2.5	3.6	1.4	3.4	3.6	1.2
Fish & seafood	3.9			-0.5	-0.1	0.32	0.01	0.00	2.9	1.4	0.7	2.8	2.5	0.4
Dairy products & eggs	1.9			1.3	0.6	1.50	0.03	0.02	0.2	1.5	1.1	0.6	1.5	0.9
Bakery & cereal products	2.3			-0.8	-0.2	1.60	0.04	-0.01	0.5	2.1	0.9	1.2	2.3	0.5
Fruit, fruit prep. & nuts	-0.1			-0.8	0.5	1.40	0.00	-0.01	1.8	4.4	-0.4	2.0	3.5	-0.6
Vegetables & vegetable prep.	6.3			1.4	3.4	1.22	0.08	0.02	4.9	6.4	0.2	3.6	5.8	0.5
Other food & non-alcoholic beverages	6.1			0.6	0.0	2.95	0.18	0.02	1.0	1.5	3.3	1.3	1.7	2.8
Food purchased from restaurants	3.2			0.2	0.3	6.05	0.19	0.01	3.0	0.7	0.3	2.6	0.7	0.8
Table service restaurants	2.6			0.2		3.46	0.09	0.01	2.9	0.6	-0.4	2.6	0.6	0.0
Fast food & take-out	4.3			0.2		1.69	0.07	0.00	3.2	1.2	0.9	2.6	1.2	1.4
Cafeterias & other restaurants	3.1			0.2		0.90	0.03	0.00	3.0	0.6	0.1	2.6	0.7	0.6
Shelter	1.7			0.3	0.3	29.41	0.49	0.09	1.8	0.6	-0.2	1.7	0.8	-0.1
Rented accommodation	4.2			0.5	0.5	7.56	0.32	0.04	1.3	0.8	3.6	1.3	0.6	4.9
Rent	4.2			0.5		7.35	0.31	0.04	1.3	0.8	3.6	1.3	0.6	4.9
Tenants' insurance premiums	-0.2			-0.7		0.12	0.00	0.00	1.1	1.6	-0.8	0.3	1.6	-0.3
Tenants' maintenance & repairs	3.4			0.0		0.09	0.00	0.00	2.2	1.0	1.2	2.6	2.2	0.4
Owned accommodation	0.7			0.1		18.76	0.13	0.01	2.3	0.4	-3.8	1.7	0.8	-1.2
Mortgage interest cost	0.3			-0.2	-0.3	5.84	0.02	-0.01	2.1	3.6	-0.5	-0.1	3.6	0.1
Homeowners' replacement cost	-2.1			0.2	0.2	4.57	-0.09	0.01	1.9	1.7	-2.4	2.1	1.5	-2.9
Property tax & other charges	5.6			0.0	0.4	2.59	0.14	0.00	2.4	0.6	5.6	2.8	0.7	4.0
Homeowners' home & mortgage insurance	6.1			0.4	0.1	1.45	0.09	0.01	5.2	2.3	0.4	4.5	2.6	0.6
Homeowners' maintenance & repairs	1.7			-0.4	-0.4	2.01	0.03	-0.01	2.0	1.1	-0.3	2.0	1.4	-0.3
Other owned accommodation expenses	-2.7			0.7	-0.2	2.30	-0.06	0.02	2.0	1.2	-3.8	2.4	2.0	-2.6
Water, fuel, & elec.	1.6			1.5		3.08	0.05	0.04	0.8	2.1	0.4	2.5	3.4	-0.2
Electricity	4.0			-0.1	-0.1	1.65	0.07	0.00	1.2	4.4	0.6	2.5	3.8	0.4
Water	5.1			0.0	0.4	0.75	0.04	0.00	3.7	0.9	1.5	4.9	1.4	0.1
Natural gas	-18.1			-0.4	-0.3	0.48	-0.09	0.00	-1.3	9.0	-1.9	0.4	10.6	-1.7
Fuel oil & other fuels	26.1			21.5	21.4	0.21	0.05	0.05	-0.1	15.5	1.7	5.1	14.2	1.5
Household operations, furniture & equipment	0.6			-0.9	-0.4	13.25	0.08	-0.12	1.2	1.0	-0.5	1.4	0.9	-0.9
Household ops.	1.1			-0.9		9.14	0.10	-0.08	1.3	1.1	-0.2	2.1	1.3	-0.7
Communications	1.8			-2.7	-2.7	2.94	0.05	-0.08	0.0	2.8	0.6	1.5	2.9	0.1
Child care & housekeeping services	-1.4			0.0	0.2	0.72	-0.01	0.00	3.4	1.4	-3.5	3.3	1.3	-3.6
Household cleaning products	2.3			-0.7	-0.1	0.35	0.01	0.00	1.3	1.9	0.5	0.8	1.9	0.8
Paper, plastic, aluminum foil	0.2			-0.5	1.0	0.45	0.00	0.00	2.2	2.2	-0.9	2.0	2.0	-0.9
Other household goods & services	0.9			0.0	0.2	4.68	0.04	0.00	1.8	0.5	-1.8	2.4	1.1	-1.4
Household furnishings & equip.	-0.4			-0.8		4.11	-0.01	-0.03	0.8	1.7	-0.7	0.1	1.6	-0.3
Furniture & textiles	-2.2			-1.3		1.65	-0.04	-0.02	0.4	2.1	-1.3	-0.3	2.1	-0.9
Household equipment	1.0			-0.4	-0.5	1.91	0.02	-0.01	0.9	1.7	0.0	0.0	1.8	0.5
Services related to furnishings & equipment	0.8			0.1	-0.5	0.39	0.00	0.00	2.4	1.8	-0.9	2.7	2.9	-0.7
Clothing & footwear	-0.4			0.3	-0.7	4.4	-0.02	0.01	0.6	1.2	-0.9	0.3	1.4	-0.5
Clothing	-2.0			0.6	-0.7	2.83	-0.06	0.02	0.5	1.6	-1.5	-0.3	2.1	-0.8
Footwear	-3.0			-0.3	-1.2	0.63	-0.02	0.00	0.4	1.2	-3.0	0.1	1.4	-2.2
Clothing accessories	8.0			-0.4		0.65	0.05	0.00	1.0	1.8	3.9	2.3	2.6	2.2
Clothing material	2.3			0.0		0.28	0.01	0.00	2.2	0.7	0.2	2.7	1.2	-0.3

April 20, 2026

Mar 2026					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	3.7			4.2	2.4	16.9	0.62	0.72	1.7	3.1	0.6	2.3	3.0	0.5
Private trans.	3.9			4.4		15.2	0.59	0.67	1.3	3.2	0.8	2.2	3.2	0.5
Purchase, lease, rental of passenger vehicles	2.7			0.5		6.84	0.19	0.03	2.3	1.5	0.3	1.9	1.6	0.5
<i>Purchase & lease of passenger vehicles</i>	2.8			0.5		6.79	0.19	0.03	2.3	1.5	0.3	1.9	1.6	0.6
<i>Rental of passenger vehicles</i>	-6.3			0.4	-0.3	0.06	0.00	0.00	1.4	5.2	-1.5	1.2	4.1	-1.8
Operation of passenger vehicles	5.3			7.6		8.37	0.45	0.64	0.7	5.7	0.8	2.4	5.4	0.5
<i>Gasoline</i>	5.9			21.2	14.9	3.23	0.19	0.69	-0.6	13.5	0.5	3.0	12.2	0.2
<i>Passenger vehicle parts, maintenance & repairs</i>	3.1			0.0	0.2	2.47	0.08	0.00	1.9	0.3	3.2	1.6	0.8	1.8
<i>Other passenger vehicle expenses</i>	5.9			-0.8	-0.8	2.66	0.16	-0.02	2.4	2.2	1.6	2.6	2.0	1.7
Public trans.	1.9			2.9		1.69	0.03	0.05	4.8	3.9	-0.8	3.4	3.7	-0.4
Local & commuter transportation	-0.2			-0.3	-0.1	0.46	0.00	0.00	1.5	0.5	-3.4	2.2	1.2	-2.1
<i>City bus & subway</i>	0.7			0.0		0.33	0.00	0.00	2.1	0.7	-1.9	2.8	1.4	-1.4
<i>Taxi & other commuter service</i>	-2.3			-1.2		0.13	0.00	0.00	0.1	0.8	-2.9	0.9	1.2	-2.6
Inter-city transportation	2.7			4.3	0.6	1.09	0.03	0.05	6.2	5.7	-0.6	3.9	5.8	-0.2
<i>Air transportation</i>	2.9			4.9		0.99	0.03	0.05	6.5	6.2	-0.6	4.0	6.4	-0.2
<i>Rail, highway bus, other</i>	0.3			-0.8		0.10	0.00	0.00	2.7	1.8	-1.4	2.0	4.2	-0.4
Health & personal care	3.3			0.2	0.3	5.05	0.2	0.01	1.4	0.4	4.8	1.3	0.9	2.4
Health care	2.3			0.3		2.53	0.1	0.01	1.3	0.6	1.6	1.1	0.8	1.4
Health care goods	1.3			0.3	0.4	1.51	0.0	0.01	0.5	0.7	1.2	-0.1	1.1	1.3
Health care services	3.5			0.1	0.3	1.02	0.0	0.00	2.5	0.6	1.9	2.9	0.8	0.8
Personal Care	4.3			0.1		2.52	0.1	0.00	1.5	0.5	5.2	1.5	1.2	2.4
Personal care supplies & equipment	4.1			0.2	0.6	1.66	0.1	0.00	0.4	0.9	4.0	0.5	1.6	2.2
Personal care services	4.7			0.0	0.3	0.86	0.0	0.00	2.9	0.7	2.4	2.7	1.4	1.4
Recreation, education & reading	2.6			1.4	0.2	10.12	0.3	0.14	1.7	0.8	1.2	1.3	0.9	1.6
Recreation	2.9			1.93		7.94	0.23	0.15	1.4	1.0	1.5	0.6	1.2	1.9
Recreational equipment & services, excl. vehicles	0.0			0.8	0.6	2.13	0.0	0.02	-0.8	1.6	0.5	-2.2	2.0	1.1
Purchase & operation of recreational vehicles	1.0			3.5	0.7	1.48	0.0	0.05	2.6	1.8	-0.9	1.9	2.0	-0.4
Home entertainment equipment	-6.5			0.5	-0.3	0.53	0.0	0.00	-3.8	2.0	-1.3	-4.9	2.2	-0.7
Travel services	9.3			4.1	-0.3	1.83	0.2	0.07	0.8	2.9	2.9	0.4	2.8	3.1
Other cultural & rec. services	4.9			0.0	0.4	1.97	0.1	0.00	3.5	1.1	1.3	3.4	1.4	1.1
Educ. & reading	1.5			-0.32		2.18	0.03	-0.01	2.5	1.4	-0.8	3.0	1.1	-1.4
Education	1.8			0.0	0.1	1.91	0.0	0.00	2.4	1.4	-0.5	3.0	1.2	-1.0
Reading material excl. textbooks	-0.7			-2.5	-2.5	0.27	0.0	-0.01	3.8	2.8	-1.6	3.2	2.9	-1.4
Alcoholic beverages, tobacco & rec. cannabis	1.3			0.1	0.0	3.99	0.0	0.00	3.2	1.2	-1.6	2.7	1.3	-1.1
Alcoholic beverages	2.5			0.19		2.58	0.06	0.00	1.7	0.5	1.5	1.4	0.7	1.5
Alc. beverages served in licensed establishments	3.7			-0.1	0.3	0.77	0.0	0.00	1.8	0.6	3.0	2.0	0.7	2.4
Alc. beverages purchased from stores	2.0			0.3	-0.2	1.81	0.0	0.00	1.7	0.7	0.5	1.1	1.1	0.9
Tobacco products	-0.2			-0.06		1.01	0.00	0.00	5.6	2.1	-2.8	4.8	2.8	-1.8
Cigarettes	-0.3			-0.1		0.89	0.0	0.00	5.6	2.1	-2.8	4.8	2.8	-1.8
Other tobacco products & supplies	0.7			0.2		0.12	0.0	0.00	5.6	2.0	-2.4	4.9	2.6	-1.6
Rec. cannabis	-3.2			-0.29		0.39	-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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