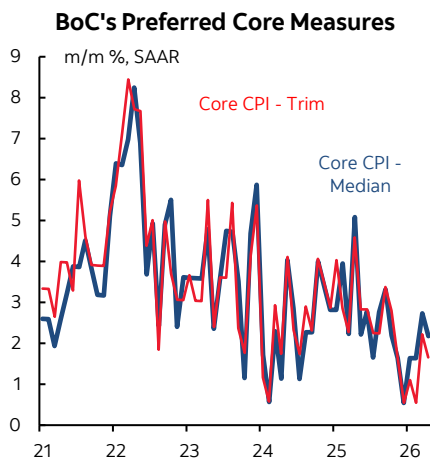


Contributors

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Chart 1



Sources: Scotiabank Economics, Statistics Canada.

Chart 2

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	-0.8
Apr-2026	2.2	1.7	0.0

Sources: Scotiabank Economics, Statistics Canada.

Canada is Slowly Emerging from Core Inflation Softness

- Total CPI undershot all estimates, BoC's preferred core measures are off the lows
- Core goods inflation shot higher, services inflation tanked with a suspect driver
- One report changes nothing in the early days of inflation risk

Canadian CPI, m/m % NSA, April:

Actual: 0.35 / 2.8

Scotia: 1.0 / 3.5

Consensus: 0.7 / 3.1

Prior: 0.9 / 2.4

Canadian inflation came in under everyone's expectations and particularly mine in the spirit of accountability. That's good news for the inflation watch so far but only at a highly nascent stage for evaluating inflation risk stemming from pass through of pre-war producer prices and pass through from the surge in commodities due to the war.

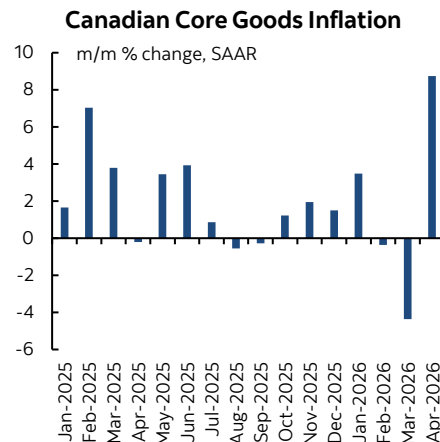
One category looked fishy to me and played a significant role and I'll explain why.

Nevertheless, Canada is emerging from a prior soft patch on high frequency core inflation measures, but hardly at a screaming pace thus far. A lot of data still lies ahead and nothing is settled by one report.

Charts 1, 2 and 3 show the m/m seasonally adjusted at annualized rate readings for core measures of inflation. Trimmed mean landed at 1.7% m/m SAAR with weighted median at 2.2% m/m SAAR with no revisions and have both exited the softest readings over prior months. Traditional core CPI (ex-food and energy) was 0% m/m SAAR and was revised down from 0% m/m SAAR in March to -0.75%.

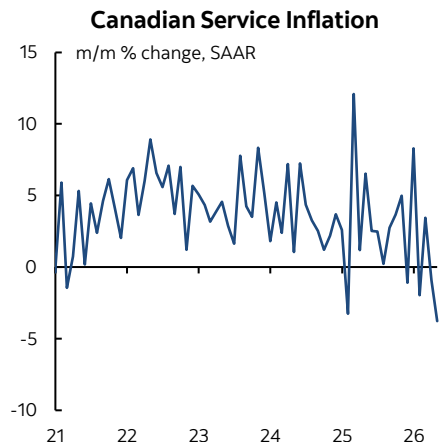
Core goods inflation (ex-food and energy) sharply accelerated last month (chart 4) to post the hottest reading since May 2022. Some of the categories driving core goods inflation included passenger vehicles, clothing and footwear. Services inflation offset that with the biggest drop since July 2020 (chart 5).

Chart 4



Sources: Scotiabank Economics, Statistics Canada, Haver.

Chart 5



Sources: Scotiabank Economics, Statistics Canada, Haver.

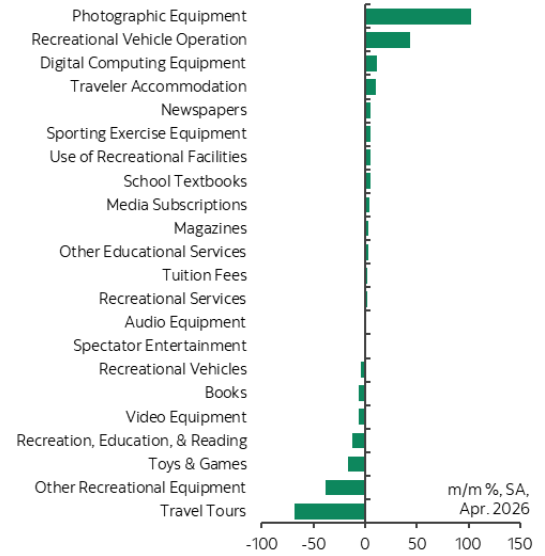
What drove services inflation to be so weak as an offset that trashed my call? Well, did anyone notice that travel tour prices are rapidly becoming free? Statcan says so. The drop in the recreation/education/reading category that carries a 10.1% basket weight in CPI shaved about 0.22% off of the headline m/m change that would have been 0.6% if this category were excluded. I thought soaring airfare and passed on behaviour would have driven it upward.

The case for excluding rec/reading/education is centered upon suspect data on one component: travel tour prices (chart 6). Statcan says they plummeted by 69% m/m annualized and seasonally unadjusted. That, in turn, drove the second biggest plunge in m/m seasonally adjusted *total* travel services prices for like months of April on record (chart 7). This is a tough category to estimate with hard data and I think it's worth flagging a significant data quality issue.

On breadth, take your pick between charts 8 and 9. It either slipped in y/y terms, or increased in m/m SAAR terms.

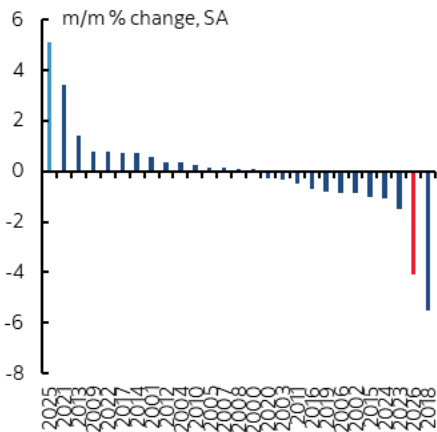
Charts 10–21 provide further breakdowns of the basket. Charts 22–25 break down y/y and m/m changes in unweighted and weighted terms. Please also see the accompanying table.

Chart 6
Breakdown of Monthly Changes within Recreation Education and Reading CPI Category



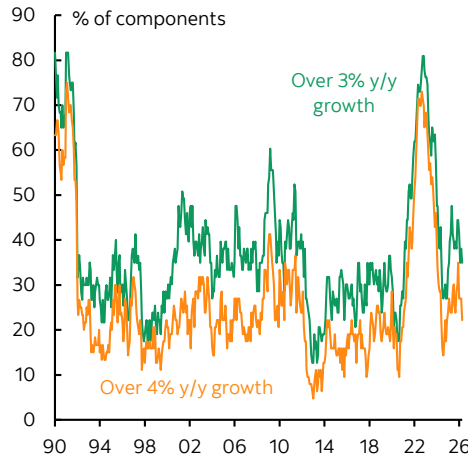
Sources: Scotiabank Economics, Statistics Canada, Haver.

Chart 7
Comparing Canada Travel Services CPI for Months of April



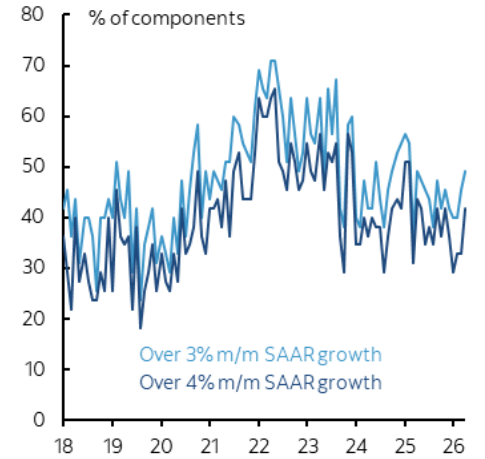
Sources: Scotiabank Economics, Statistics Canada.

Chart 8
CA Inflation Breadth



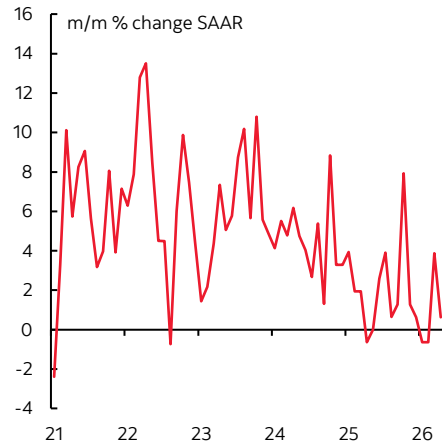
Sources: Scotiabank Economics, Statistics Canada.

Chart 9
CA Inflation Breadth



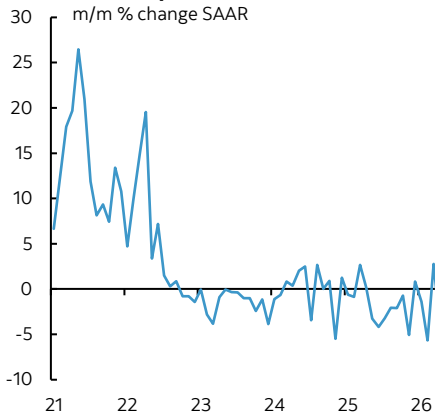
Sources: Scotiabank Economics, Statistics Canada.

Chart 10
Shelter Cost in Canada



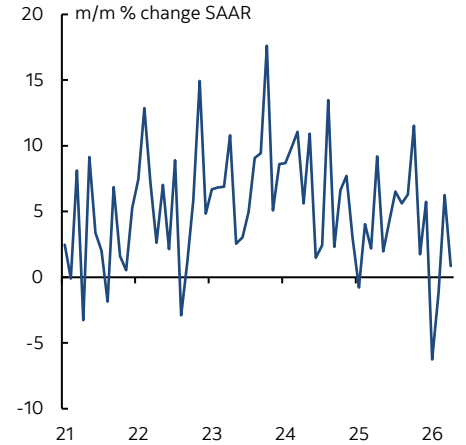
Sources: Scotiabank Economics, Statistics Canada.

Chart 11
Canada CPI: Homeowners' replacement cost



Sources: Scotiabank Economics, Statistics Canada.

Chart 12
Canada CPI: Rented Accommodation



Sources: Scotiabank Economics, Statistics Canada.

Chart 13

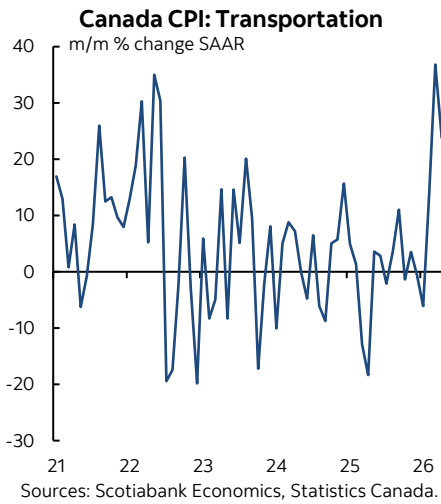


Chart 14

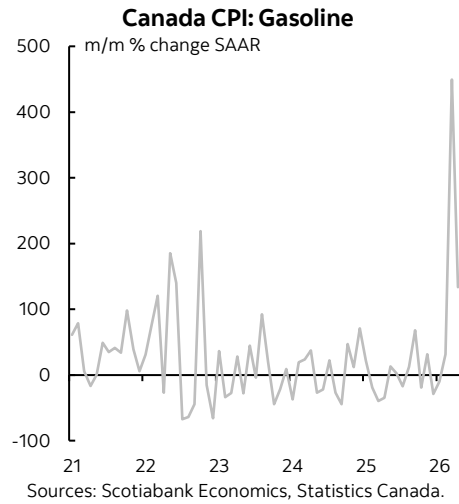


Chart 15

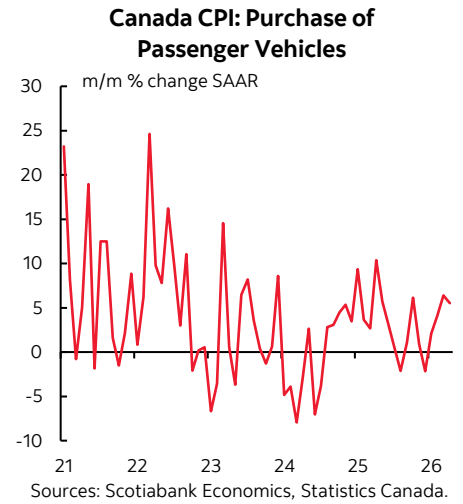


Chart 16

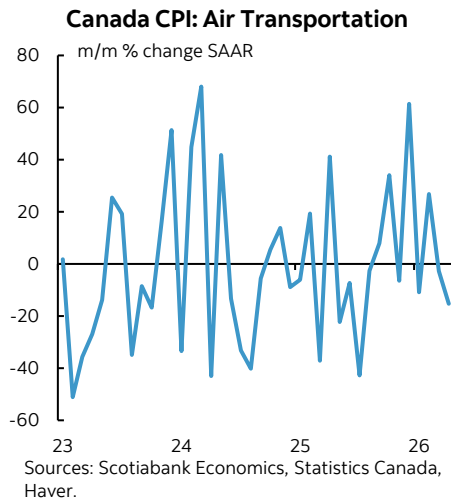


Chart 17

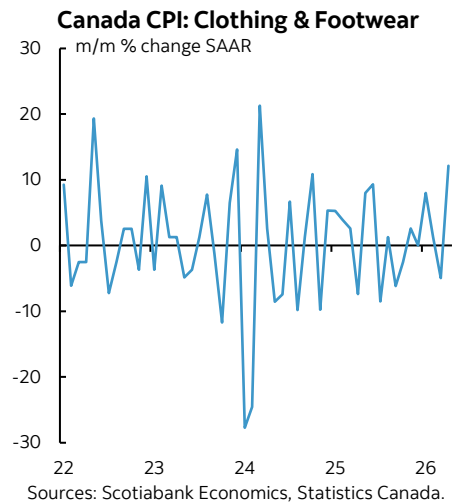


Chart 18

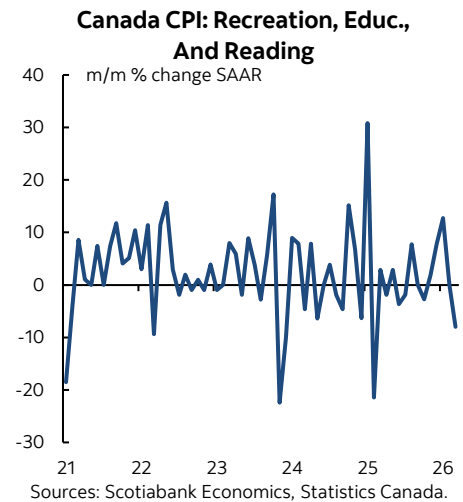


Chart 19

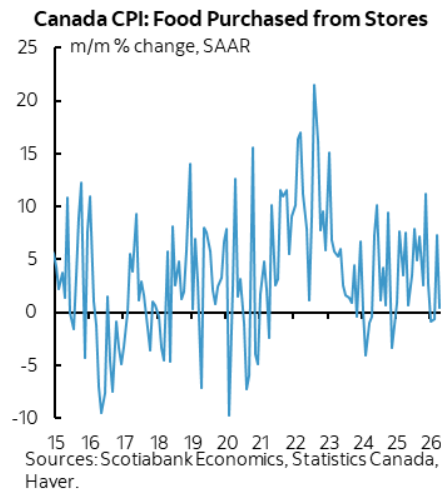


Chart 20

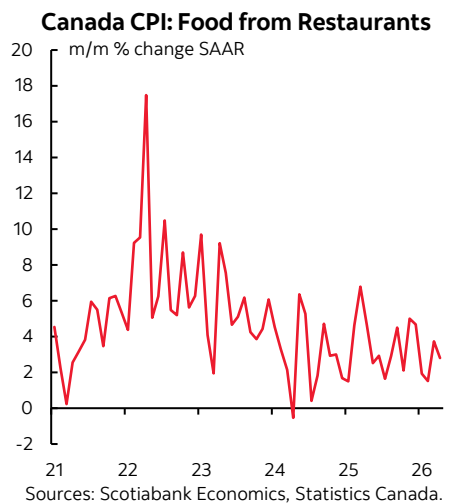


Chart 21

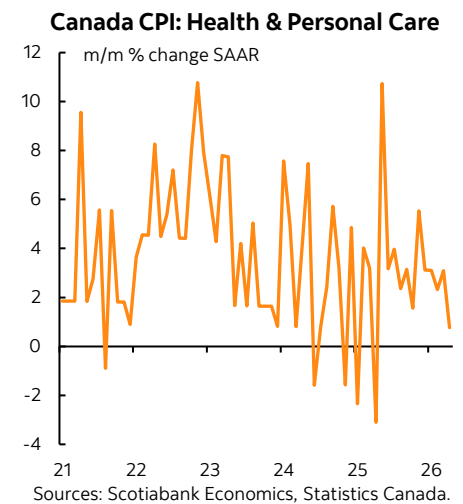


Chart 22

March Detailed Category 12-Month Change in Canadian CPI

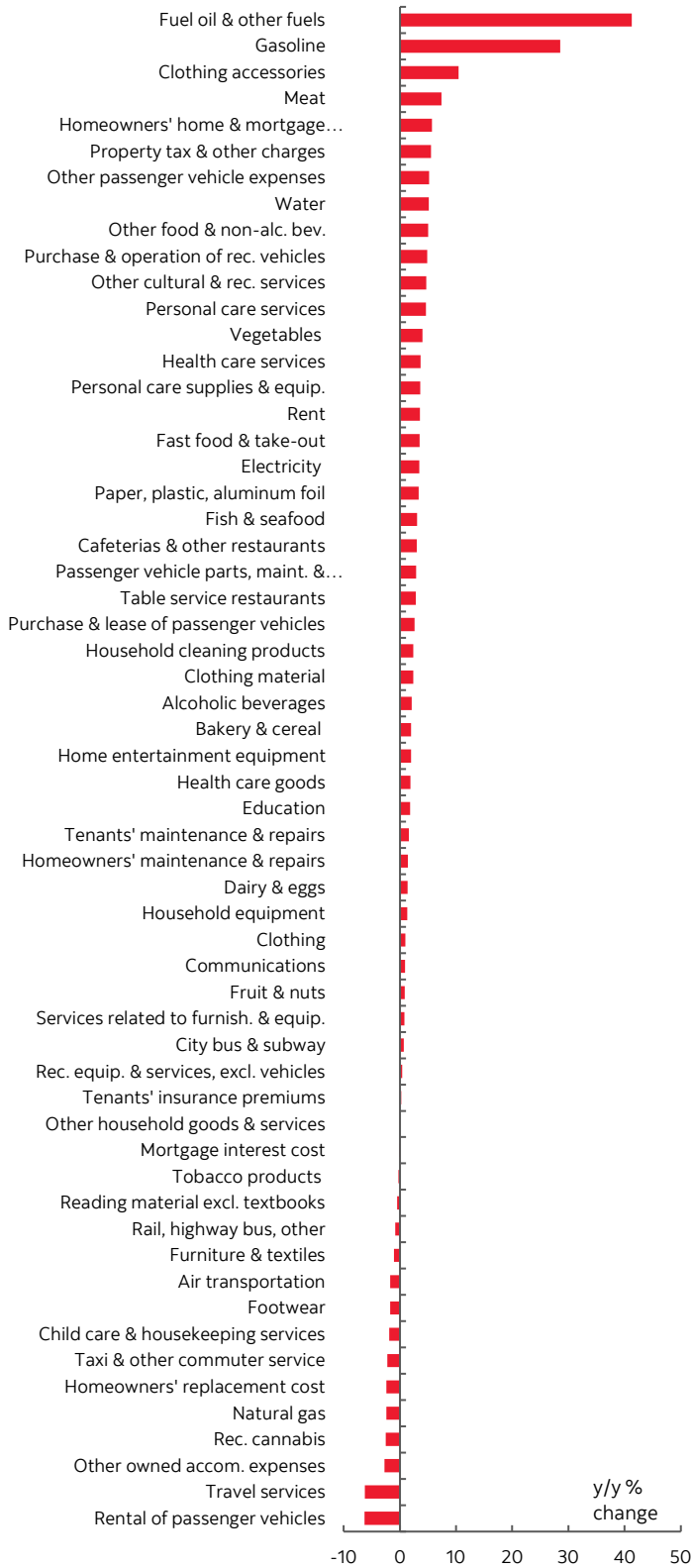
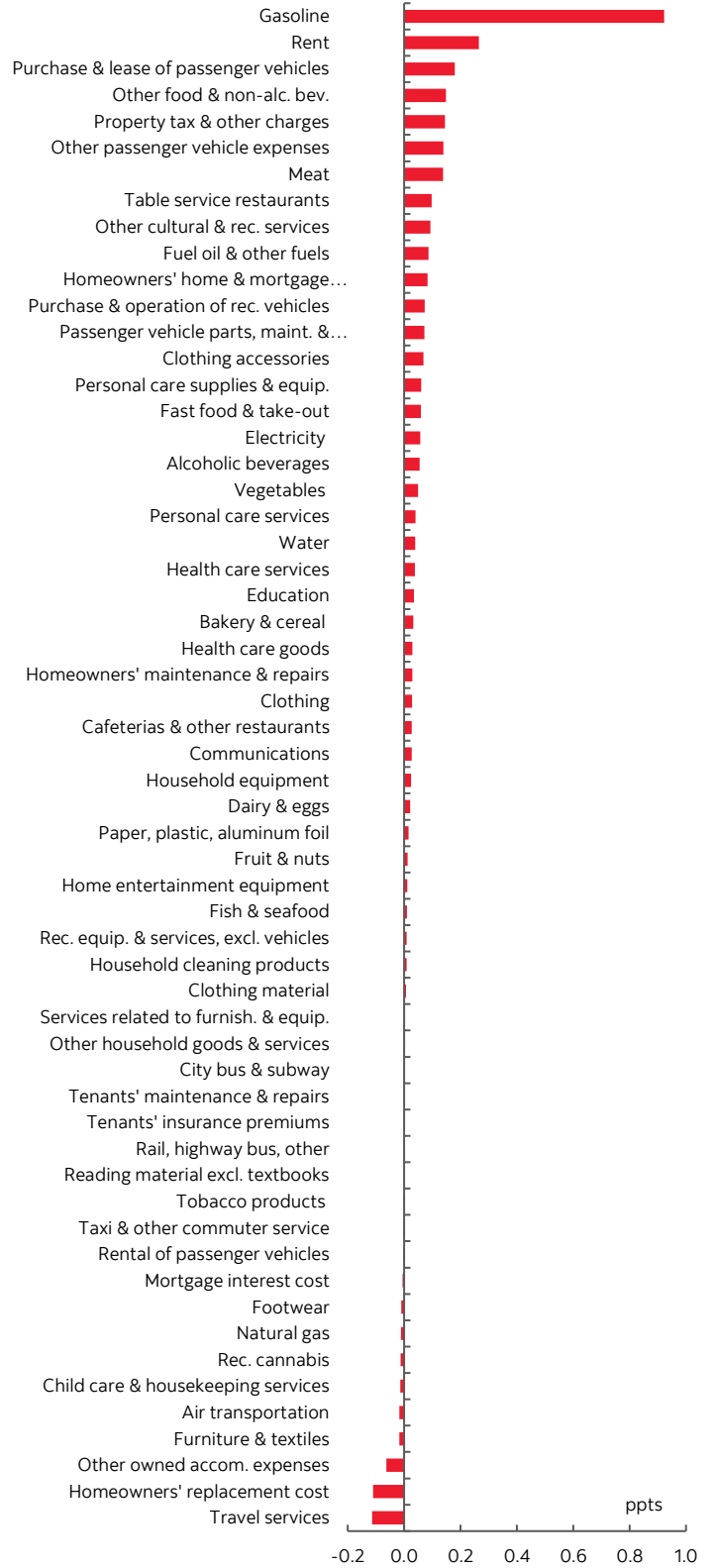


Chart 23

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

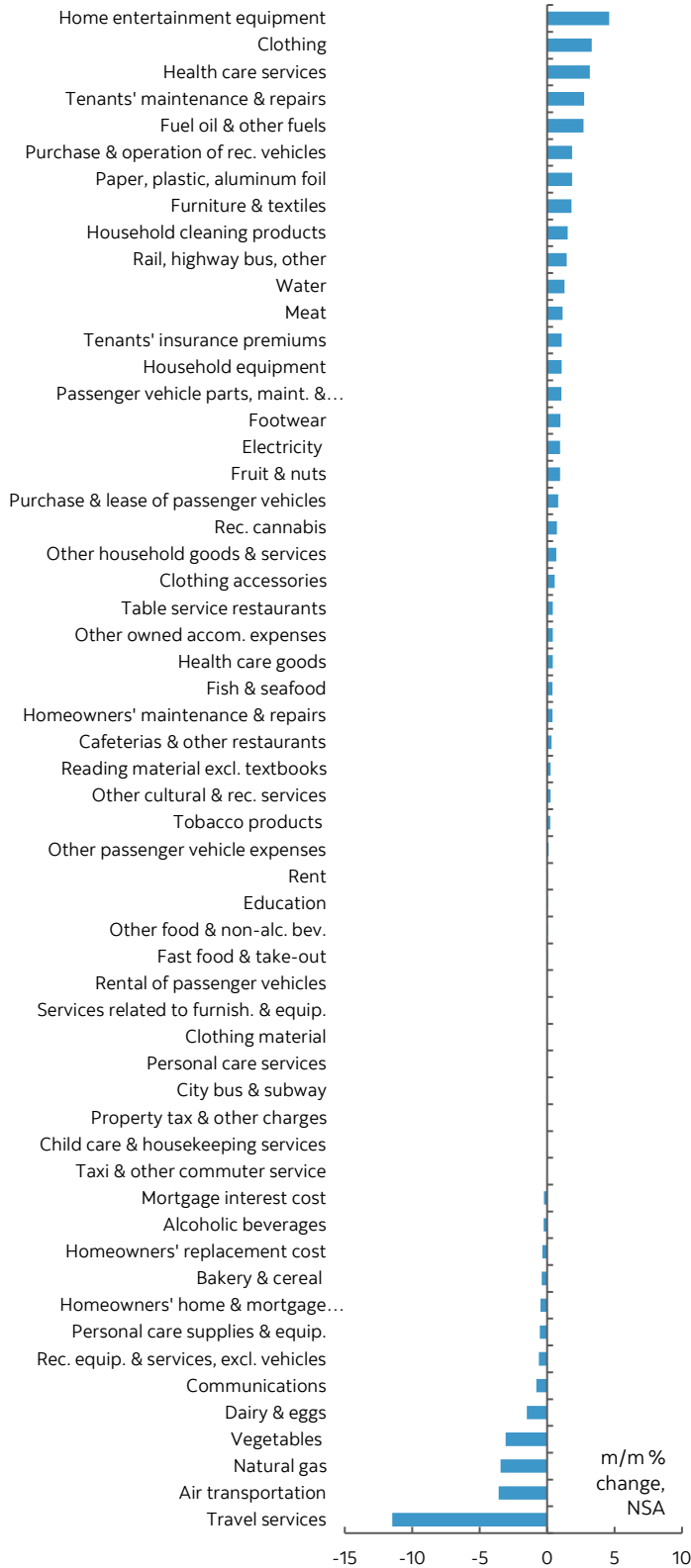


Sources: Scotiabank Economics, Statistics Canada.

Sources: Scotiabank Economics, Statistics Canada.

Chart 24

March Detailed Category Monthly Change in Canadian CPI Excluding Gasoline



Sources: Scotiabank Economics, Statistics Canada.

Chart 25

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



Sources: Scotiabank Economics, Statistics Canada.

Apr 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	3.5			-0.1	0.0	16.91	0.59	-0.02	2.1	1.7	0.8	2.2	1.5	0.9
Food, stores	3.8			-0.3		10.86	0.41	-0.03	1.7	2.4	0.9	2.0	2.0	0.9
Meat	7.4			1.2	0.6	1.87	0.14	0.02	2.5	3.6	1.4	3.4	3.6	1.1
Fish & seafood	3.1			0.4	-0.2	0.32	0.01	0.00	2.9	1.4	0.1	2.8	2.5	0.1
Dairy products & eggs	1.4			-1.5	-0.7	1.50	0.02	-0.02	0.2	1.5	0.7	0.6	1.5	0.5
Bakery & cereal products	2.0			-0.4	-0.2	1.60	0.03	-0.01	0.5	2.1	0.7	1.2	2.3	0.3
Fruit, fruit prep. & nuts	0.9			1.0	0.7	1.40	0.01	0.01	1.8	4.4	-0.2	2.0	3.5	-0.3
Vegetables & vegetable prep.	4.0			-3.1	-1.3	1.22	0.05	-0.04	4.9	6.4	-0.1	3.6	5.8	0.1
Other food & non-alcoholic beverages	5.0			0.1	0.0	2.95	0.15	0.00	1.0	1.5	2.6	1.3	1.7	2.2
Food purchased from restaurants	3.0			0.3	0.2	6.05	0.18	0.02	3.0	0.7	0.1	2.6	0.7	0.6
Table service restaurants	2.8			0.4		3.46	0.10	0.02	2.9	0.6	-0.1	2.6	0.6	0.4
Fast food & take-out	3.5			0.0		1.69	0.06	0.00	3.2	1.2	0.2	2.6	1.2	0.7
Cafeterias & other restaurants	3.0			0.3		0.90	0.03	0.00	3.0	0.6	0.0	2.6	0.7	0.5
Shelter	1.8			0.1	0.1	29.41	0.52	0.02	1.8	0.6	-0.1	1.7	0.8	0.0
Rented accommodation	3.5			0.1	0.1	7.56	0.26	0.00	1.3	0.8	2.8	1.3	0.6	3.7
Rent	3.6			0.1		7.35	0.26	0.00	1.3	0.8	2.8	1.3	0.6	3.8
Tenants' insurance premiums	0.2			1.1		0.12	0.00	0.00	1.1	1.6	-0.5	0.3	1.6	0.0
Tenants' maintenance & repairs	1.6			2.8		0.09	0.00	0.00	2.2	1.0	-0.6	2.6	2.2	-0.5
Owned accommodation	0.5			-0.1		18.76	0.09	-0.01	2.3	0.4	-4.3	1.7	0.8	-1.5
Mortgage interest cost	-0.1			-0.2	-0.2	5.84	-0.01	-0.01	2.1	3.6	-0.6	-0.1	3.6	0.0
Homeowners' replacement cost	-2.4			-0.3	-0.3	4.57	-0.11	-0.02	1.9	1.7	-2.6	2.1	1.5	-3.1
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	5.7			-0.5	0.4	1.45	0.08	-0.01	5.2	2.3	0.2	4.5	2.6	0.5
Homeowners' maintenance & repairs	1.4			0.4	0.4	2.01	0.03	0.01	2.0	1.1	-0.5	2.0	1.4	-0.4
Other owned accommodation expenses	-2.7			0.4	-0.3	2.30	-0.06	0.01	2.0	1.2	-3.9	2.4	2.0	-2.6
Water, fuel, & elec.	5.5			0.5		3.08	0.17	0.02	0.8	2.1	2.2	2.5	3.4	0.9
Electricity	3.4			1.0	1.0	1.65	0.06	0.02	1.2	4.4	0.5	2.5	3.8	0.3
Water	5.2			1.3	0.3	0.75	0.04	0.01	3.7	0.9	1.6	4.9	1.4	0.2
Natural gas	-2.4			-3.4	-3.5	0.48	-0.01	-0.02	-1.3	9.0	-0.1	0.4	10.6	-0.3
Fuel oil & other fuels	41.3			2.7	2.7	0.21	0.09	0.01	-0.1	15.5	2.7	5.1	14.2	2.5
Household operations, furniture & equipment	0.4			0.6	-0.1	13.25	0.05	0.08	1.2	1.0	-0.8	1.4	0.9	-1.2
Household ops.	0.4			0.2		9.14	0.03	0.02	1.3	1.1	-0.9	2.1	1.3	-1.4
Communications	0.9			-0.8	-0.8	2.94	0.03	-0.02	0.0	2.8	0.3	1.5	2.9	-0.2
Child care & housekeeping services	-1.9			0.0	-0.1	0.72	-0.01	0.00	3.4	1.4	-3.9	3.3	1.3	-3.9
Household cleaning products	2.4			1.5	1.0	0.35	0.01	0.01	1.3	1.9	0.6	0.8	1.9	0.8
Paper, plastic, aluminum foil	3.4			1.9	0.9	0.45	0.02	0.01	2.2	2.2	0.5	2.0	2.0	0.7
Other household goods & services	0.1			0.7	-0.1	4.68	0.00	0.03	1.8	0.5	-3.6	2.4	1.1	-2.2
Household furnishings & equip.	0.3			1.3		4.11	0.01	0.05	0.8	1.7	-0.3	0.1	1.6	0.1
Furniture & textiles	-1.1			1.8		1.65	-0.02	0.03	0.4	2.1	-0.7	-0.3	2.1	-0.3
Household equipment	1.3			1.1	0.6	1.91	0.02	0.02	0.9	1.7	0.2	0.0	1.8	0.7
Services related to furnishings & equipment	0.8			0.0	0.1	0.39	0.00	0.00	2.4	1.8	-0.9	2.7	2.9	-0.7
Clothing & footwear	2.0			2.2	1.0	4.4	0.09	0.10	0.6	1.2	1.2	0.3	1.4	1.2
Clothing	1.0			3.3	1.3	2.83	0.03	0.09	0.5	1.6	0.3	-0.3	2.1	0.6
Footwear	-1.7			1.0	1.0	0.63	-0.01	0.01	0.4	1.2	-1.8	0.1	1.4	-1.3
Clothing accessories	10.5			0.6		0.65	0.07	0.00	1.0	1.8	5.3	2.3	2.6	3.2
Clothing material	2.4			0.0		0.28	0.01	0.00	2.2	0.7	0.3	2.7	1.2	-0.2

May 19, 2026

Apr 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	7.6			2.2	1.8	16.9	1.29	0.38	1.7	3.1	1.9	2.3	3.0	1.8
Private trans.	8.6			2.6		15.2	1.31	0.40	1.3	3.2	2.3	2.2	3.2	2.0
Purchase, lease, rental of passenger vehicles	2.6			0.8		6.84	0.18	0.06	2.3	1.5	0.2	1.9	1.6	0.5
<i>Purchase & lease of passenger vehicles</i>	<u>2.6</u>			<u>0.8</u>		<u>6.79</u>	<u>0.18</u>	<u>0.06</u>	<u>2.3</u>	<u>1.5</u>	<u>0.2</u>	<u>1.9</u>	<u>1.6</u>	<u>0.4</u>
<i>Rental of passenger vehicles</i>	<u>-6.3</u>			<u>0.0</u>	<u>-0.7</u>	<u>0.06</u>	<u>0.00</u>	<u>0.00</u>	<u>1.4</u>	<u>5.2</u>	<u>-1.5</u>	<u>1.2</u>	<u>4.1</u>	<u>-1.8</u>
Operation of passenger vehicles	13.6			4.1		8.37	1.14	0.34	0.7	5.7	2.3	2.4	5.4	2.1
<i>Gasoline</i>	<u>28.6</u>			<u>8.9</u>	<u>7.3</u>	<u>3.23</u>	<u>0.92</u>	<u>0.29</u>	<u>-0.6</u>	<u>13.5</u>	<u>2.2</u>	<u>3.0</u>	<u>12.2</u>	<u>2.1</u>
<i>Passenger vehicle parts, maintenance & repairs</i>	<u>2.9</u>			<u>1.1</u>	<u>0.3</u>	<u>2.47</u>	<u>0.07</u>	<u>0.03</u>	<u>1.9</u>	<u>0.3</u>	<u>2.8</u>	<u>1.6</u>	<u>0.8</u>	<u>1.6</u>
<i>Other passenger vehicle expenses</i>	<u>5.2</u>			<u>0.1</u>	<u>0.1</u>	<u>2.66</u>	<u>0.14</u>	<u>0.00</u>	<u>2.4</u>	<u>2.2</u>	<u>1.3</u>	<u>2.6</u>	<u>2.0</u>	<u>1.3</u>
Public trans.	-1.2			0.0		1.69	-0.02	-0.04	4.8	3.9	-1.5	3.4	3.7	-1.2
Local & commuter transportation	-0.2			0.0	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>	<u>0.7</u>			<u>0.0</u>		<u>0.33</u>	<u>0.00</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>-1.4</u>
<i>Taxi & other commuter service</i>	<u>-2.3</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>-2.9</u>	<u>0.9</u>	<u>1.2</u>	<u>-2.6</u>
Inter-city transportation	-1.6			-3.1	-1.6	1.09	-0.02	-0.03	6.2	5.7	-1.4	3.9	5.8	-0.9
<i>Air transportation</i>	<u>-1.7</u>			<u>-3.6</u>		<u>0.99</u>	<u>-0.02</u>	<u>-0.04</u>	<u>6.5</u>	<u>6.2</u>	<u>-1.3</u>	<u>4.0</u>	<u>6.4</u>	<u>-0.9</u>
<i>Rail, highway bus, other</i>	<u>-0.8</u>			<u>1.5</u>		<u>0.10</u>	<u>0.00</u>	<u>0.00</u>	<u>2.7</u>	<u>1.8</u>	<u>-2.0</u>	<u>2.0</u>	<u>4.2</u>	<u>-0.7</u>
Health & personal care	3.3			0.6	0.1	5.05	0.2	0.03	1.4	0.4	4.9	1.3	0.9	2.4
Health care	2.6			1.6		2.53	0.1	0.04	1.3	0.6	2.3	1.1	0.8	1.9
Health care goods	1.9			0.4	0.4	1.51	0.0	0.01	0.5	0.7	2.0	-0.1	1.1	1.8
Health care services	3.7			3.2	0.2	1.02	0.0	0.03	2.5	0.6	2.2	2.9	0.8	1.1
Personal Care	4.0			-0.3		2.52	0.1	-0.01	1.5	0.5	4.7	1.5	1.2	2.2
Personal care supplies & equipment	3.6			-0.5	-0.4	1.66	0.1	-0.01	0.4	0.9	3.5	0.5	1.6	1.9
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	1.0			-1.7	-0.7	10.12	0.1	-0.18	1.7	0.8	-0.9	1.3	0.9	-0.3
Recreation	0.8			-2.24		7.94	0.06	-0.18	1.4	1.0	-0.6	0.6	1.2	0.1
Recreational equipment & services, excl. vehicles	0.4			-0.6	-0.3	2.13	0.0	-0.01	-0.8	1.6	0.8	-2.2	2.0	1.3
Purchase & operation of recreational vehicles	4.9			1.9	0.0	1.48	0.1	0.03	2.6	1.8	1.2	1.9	2.0	1.5
Home entertainment equipment	2.0			4.6	6.0	0.53	0.0	0.02	-3.8	2.0	2.9	-4.9	2.2	3.1
Travel services	-6.2			-11.5	-4.1	1.83	-0.1	-0.21	0.8	2.9	-2.4	0.4	2.8	-2.4
Other cultural & rec. services	4.7			0.3	0.3	1.97	0.1	0.01	3.5	1.1	1.1	3.4	1.4	1.0
Educ. & reading	1.6			0.11		2.18	0.03	0.00	2.5	1.4	-0.7	3.0	1.1	-1.3
Education	1.8			0.1	0.2	1.91	0.0	0.00	2.4	1.4	-0.4	3.0	1.2	-1.0
Reading material excl. textbooks	-0.5			0.3	0.3	0.27	0.0	0.00	3.8	2.8	-1.5	3.2	2.9	-1.3
Alcoholic beverages, tobacco & rec. cannabis	1.1			0.0	0.0	3.99	0.0	0.00	3.2	1.2	-1.8	2.7	1.3	-1.3
Alcoholic beverages	2.1			-0.26		2.58	0.05	-0.01	1.7	0.5	0.7	1.4	0.7	1.0
Alc. beverages served in licensed establishments	3.7			0.0	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	1.5			-0.3	-0.2	1.81	0.0	-0.01	1.7	0.7	-0.4	1.1	1.1	0.4
Tobacco products	-0.2			0.24		1.01	0.00	0.00	5.6	2.1	-2.8	4.8	2.8	-1.8
Cigarettes	-0.3			0.3		0.89	0.0	0.00	5.6	2.1	-2.8	4.8	2.8	-1.8
Other tobacco products & supplies	-0.2			-0.2		0.12	0.0	0.00	5.6	2.0	-2.9	4.9	2.6	-1.9
Rec. cannabis	-2.5			0.73		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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