Scotiabank

GLOBAL ECONOMICS

SCOTIA FLASH

June 22, 2026

Canada Has Left the Core Inflation Soft Patch

- **With May's upside, we have three months of above-target core inflation**
- **More pressure lies ahead**
- **The BoC is at risk of missing the memo that other central banks have gotten…**
- **…as the real rate is too low while bank capital rules ease and CAD tumbles…**
- **…alongside fiscal policy easing and resilient trade**

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

Actual: 1.0 / 3.2

Scotia: 0.8 / 3.1

Consensus: 0.8 / 3.0

Prior:0.4 / 2.8

Trimmed mean CPI m/m SAAR %: 2.8

Weighted median CPI m/m SAAR %: 2.2

This note was delayed by marketing demands but I think it's worth advancing a thesis I don't see well covered.

We now have three reports that provide convincing evidence that a temporary soft patch on underlying inflation is being left behind. Core inflation measures picked up in May and their three-month moving averages are restoring above-2% momentum in price pressures at the margin. See charts 1–3.

Key are the m/m annualized and seasonally adjusted (SAAR) trimmed mean and weighted median CPI measures. They provide evidence on inflationary pressures at the margin, whereas the year-over-year measures are calculated as slow-moving 12-month weighted contributions to a year-over-year rate and they turn slowly and with a lag.

Contributors

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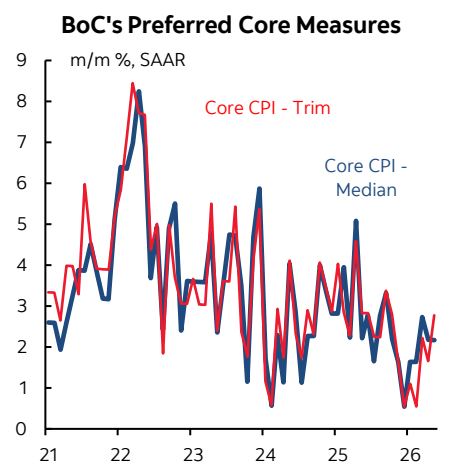
Chart 1

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	-0.8
Apr-2026	2.2	1.7	0.8
May-2026	2.2	2.8	3.1

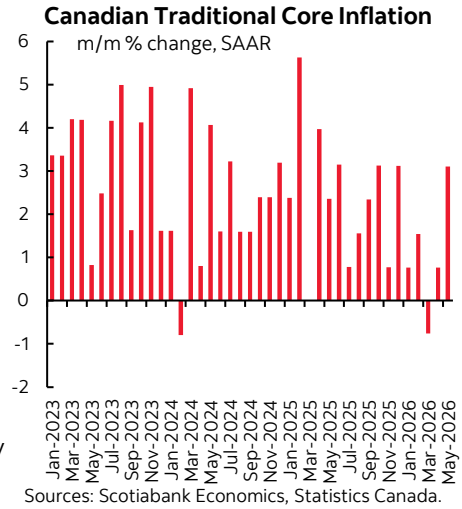
Sources: Scotiabank Economics, Statistics Canada.

Chart 2



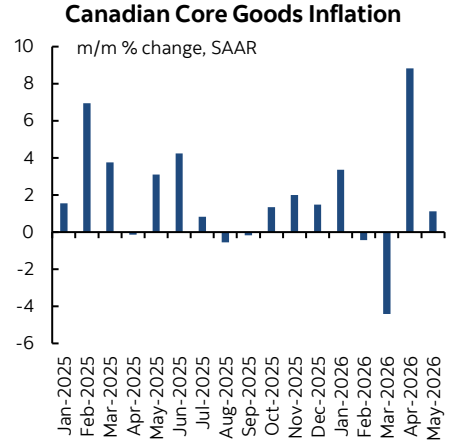
Sources: Scotiabank Economics, Statistics Canada.

Chart 3



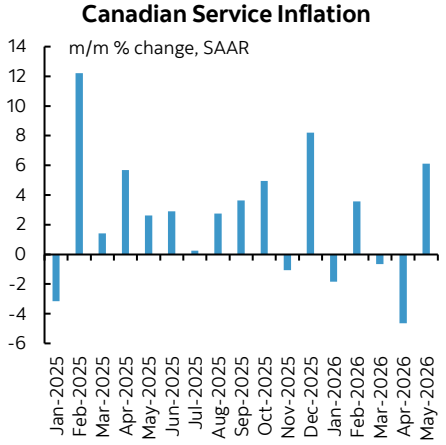
Sources: Scotiabank Economics, Statistics Canada.

Chart 4



Sources: Scotiabank Economics, Statistics Canada, Haver.

Chart 5



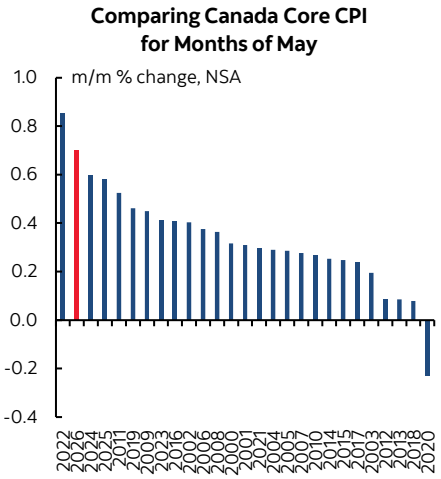
Sources: Scotiabank Economics, Statistics Canada, Haver.

Trimmed mean CPI landed at 2.8% m/m SAAR in May. Weighted median CPI was 2.2%. Their average of 2.5% is above the 2% headline target along with total CPI at 3.2%. The 3-month moving averages of TM and WM inflation now stand at 2.4% for weighted median CPI and 2.2% for trimmed mean CPI. Canada has left behind the low readings over the November to February period.

Traditional core CPI (ex-food and energy) was up by 3.1% m/m SAAR in May. The 3-month moving average measure for that was soft at 1% m/m SAAR but is not the BoC's preferred gauge and has had unusual distortions.

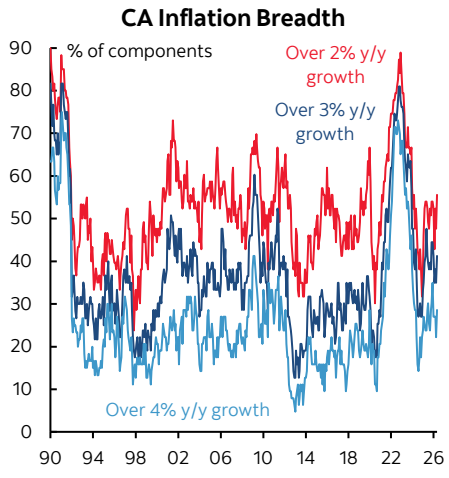
Charts 4 and 5 show core goods inflation and services inflation with the caution they are not trimmed or median measures.

Chart 6



Sources: Scotiabank Economics, Statistics Canada.

Chart 7



Sources: Scotiabank Economics, Statistics Canada.

In seasonally unadjusted terms, core CPI at 0.7% m/m NSA was the second highest reading compared to like months of May this century (chart 6). The seasonal adjustment factor applied to core CPI was among the lowest on record compared to like months of May which held back the already hot core CPI m/m measure from being even hotter in May.

Governor Macklem said the BoC would look through inflation affecting total CPI via commodities. He did also warn they would not allow this to become a broader inflation challenge in the core readings.

Governor Macklem has evidence that the BoC risks falling behind a rebound in core inflation into further likely upside risk. Please see my weekly for an explanation of those forms of upside risk to underlying inflation **here**.

Chart 7 shows persistently elevated breadth of price increases above the 2% inflation target.

Charts 8–18 showcase individual contributors.

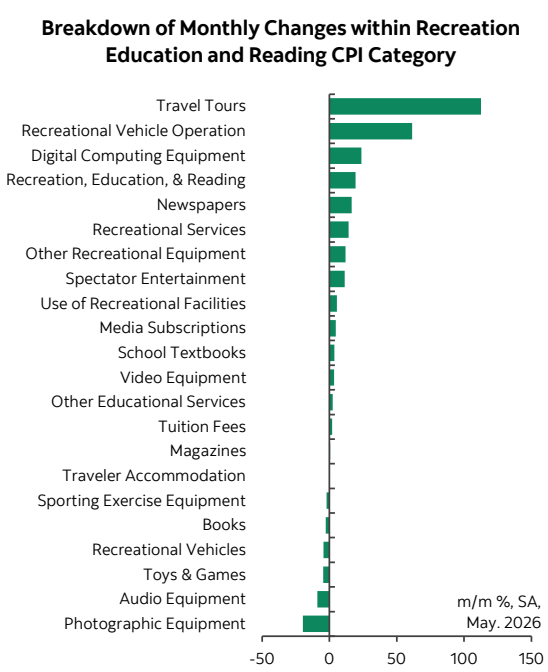
Charts 19–20 break out the basket in terms of individual m/m price changes and their weighted contributions to CPI inflation. Charts 21–22 do likewise for y/y measures.

Multiple other central banks are either hiking or talking about hiking—except the BoC. Yet Canada is the prime beneficiary of a commodity surge. The Bank of Canada has passively eased by allowing its inflation-adjusted policy rate to arguably go negative in relation to expected inflation. Inflation expectations are likely to move higher in the BoC's July business and consumer surveys based upon samples already collected and they have been elevated across all time horizons.

OSFI's easing of bank capital rules is a partial rate equivalence that adds to easier conditions.

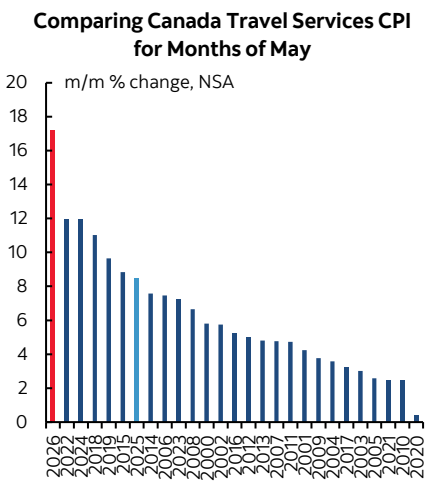
Scotiabank Economics stands by its call for higher borrowing costs later this year. Unlike the Fed and Bank of England, the BoC's nominal policy rate is at the bottom end of the neutral rate range. It's time for taking out some insurance against an emerging inflation challenge. My fear is that the BoC will wait too late again and do so straight into the year-end 5-year review of its remit and the end of Governor Macklem's term in 2027.

Chart 8



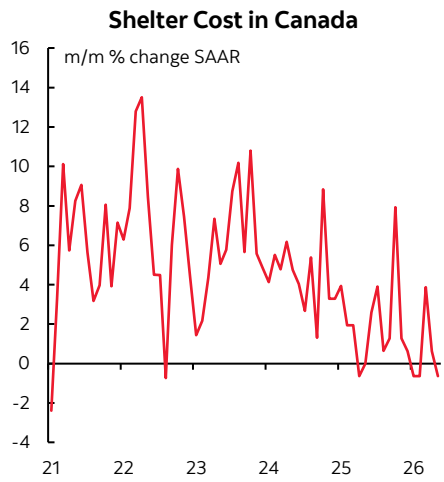
Sources: Scotiabank Economics, Statistics Canada, Haver.

Chart 9



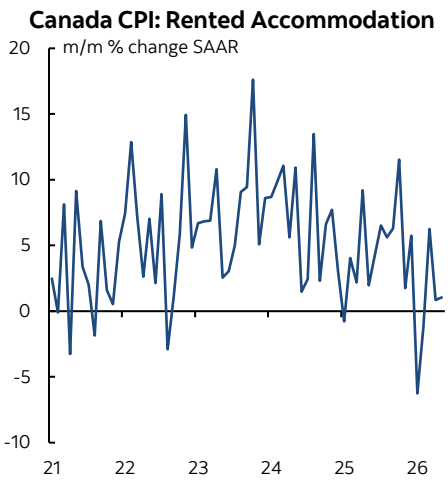
Sources: Scotiabank Economics, Statistics Canada.

Chart 10



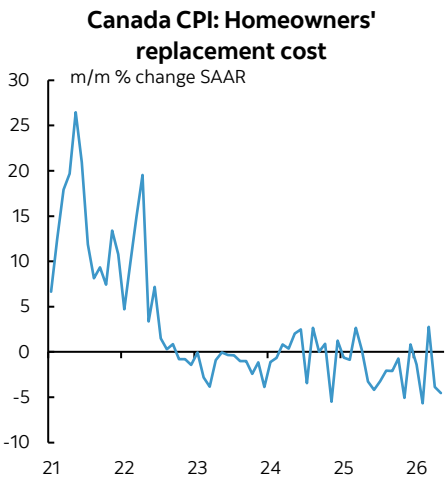
Sources: Scotiabank Economics, Statistics Canada.

Chart 11



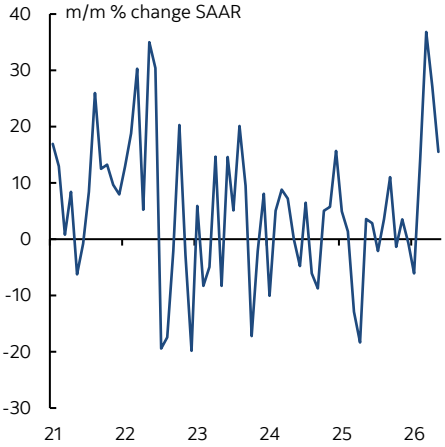
Sources: Scotiabank Economics, Statistics Canada.

Chart 12



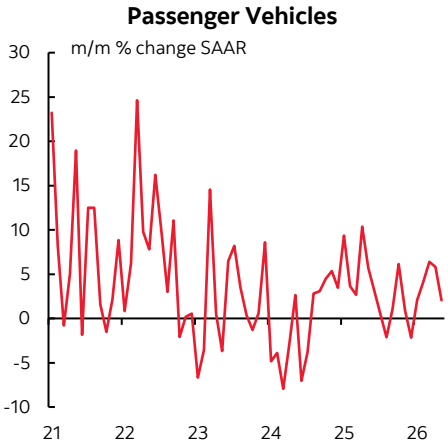
Sources: Scotiabank Economics, Statistics Canada.

Chart 13



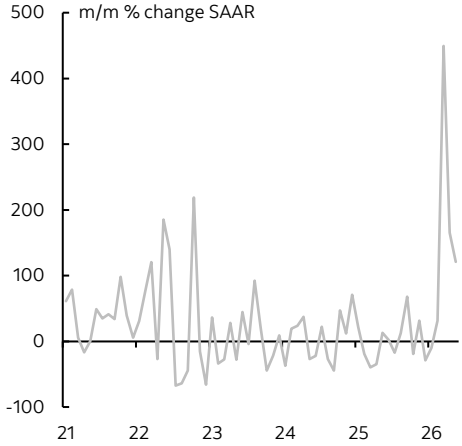
Sources: Scotiabank Economics, Statistics Canada.

Chart 14



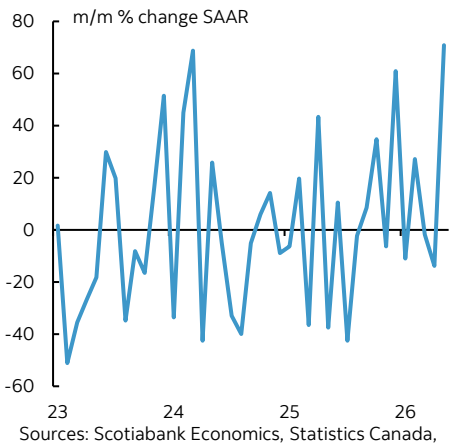
Sources: Scotiabank Economics, Statistics Canada.

Chart 15



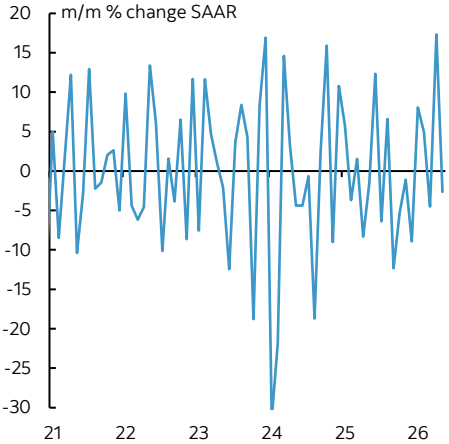
Sources: Scotiabank Economics, Statistics Canada.

Chart 16



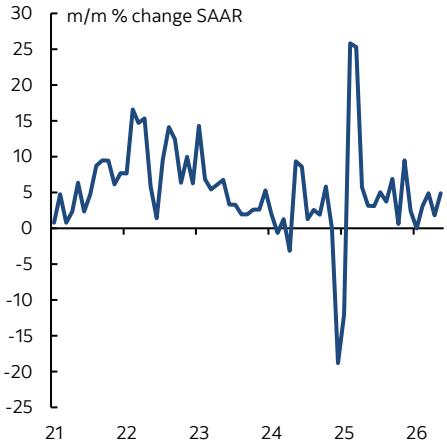
Sources: Scotiabank Economics, Statistics Canada, Haver.

Chart 17



Sources: Scotiabank Economics, Statistics Canada.

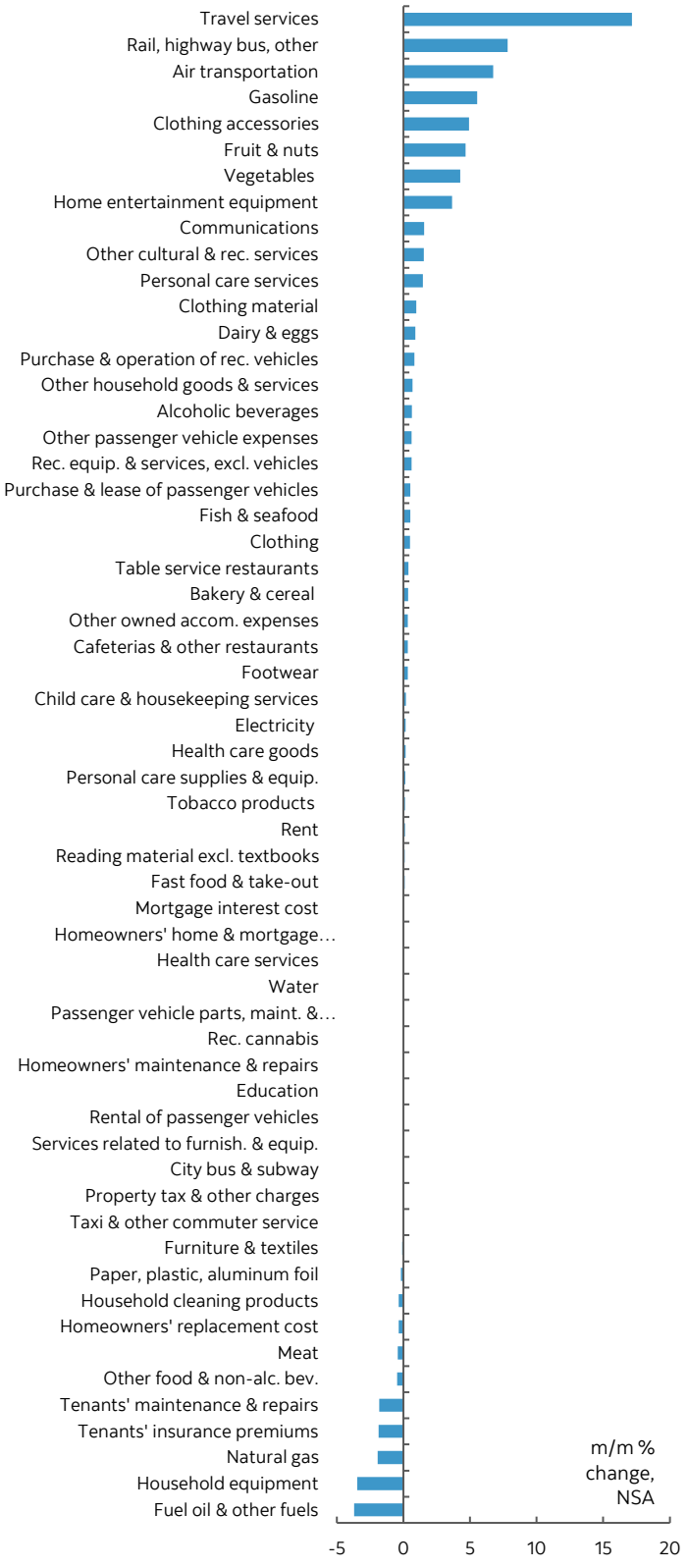
Chart 18



Sources: Scotiabank Economics, Statistics Canada.

Chart 19

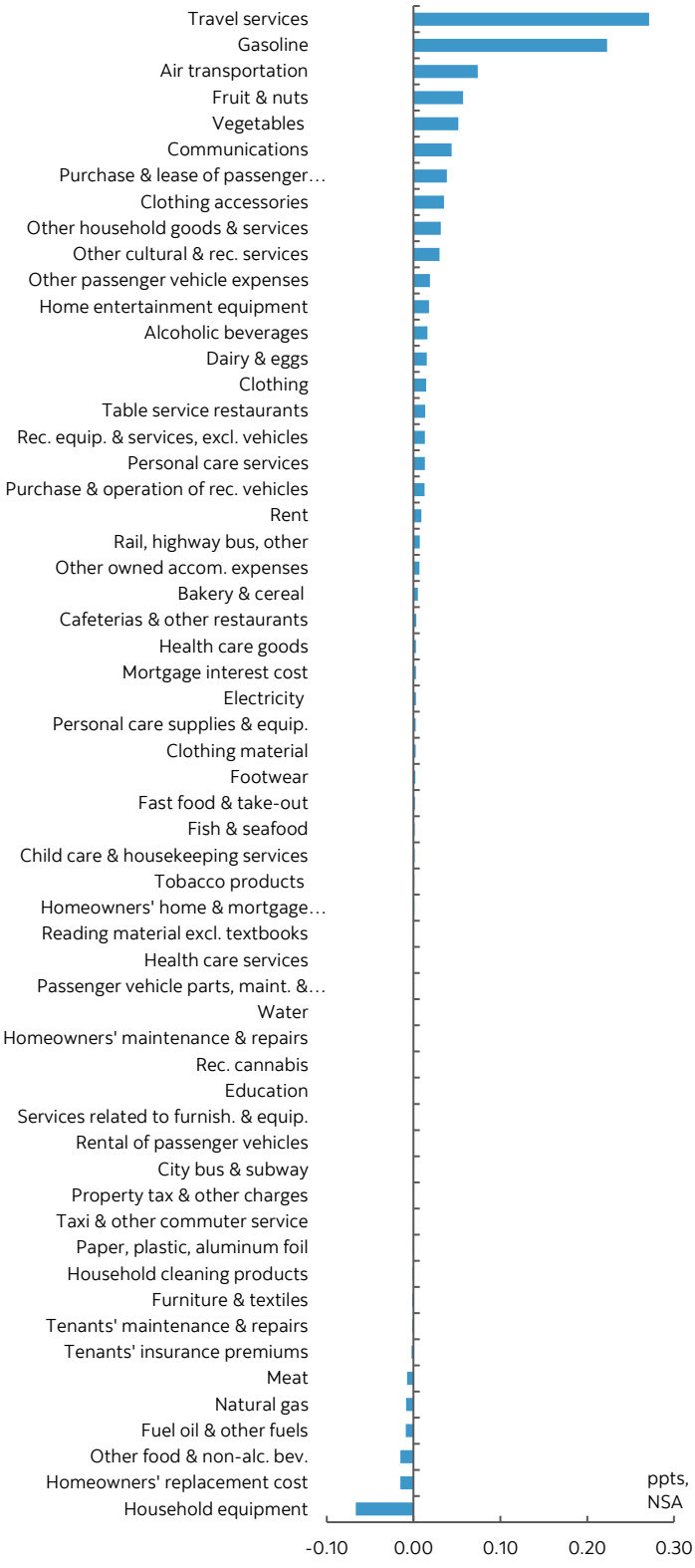
May Detailed Category Monthly Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada.

Chart 20

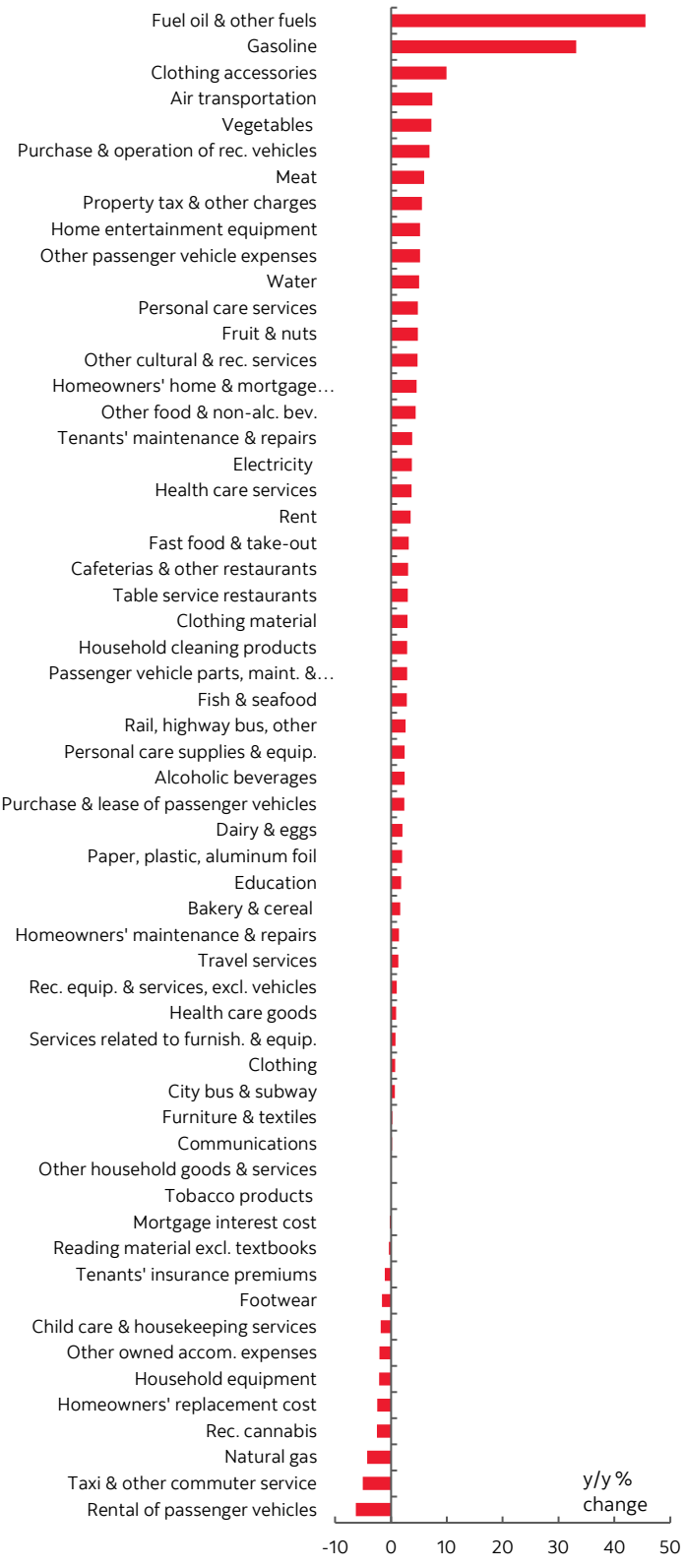
May Detailed Category Contributions to Monthly Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada.

Chart 21

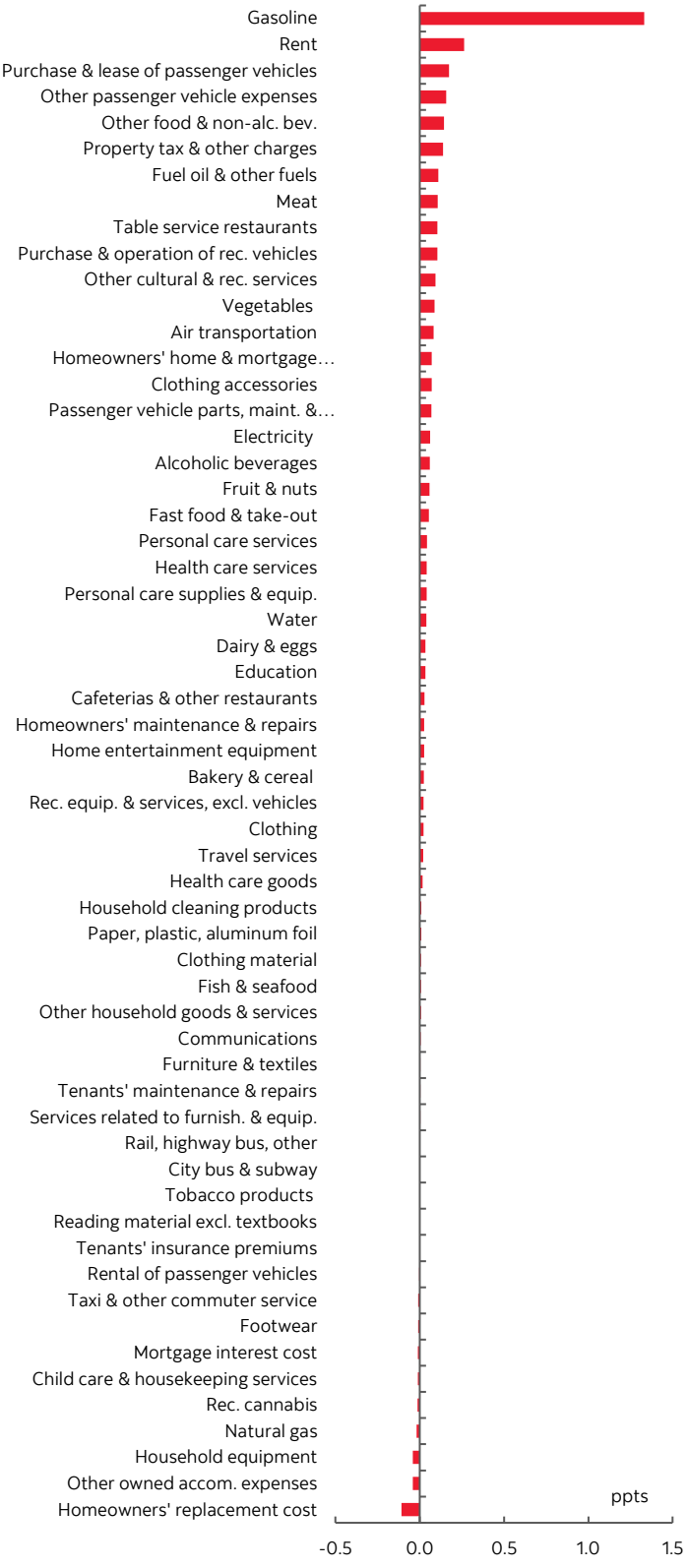
May Detailed Category 12-Month Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada.

Chart 22

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



Sources: Scotiabank Economics, Statistics Canada.

May 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	**3.8**			**0.7**	**0.4**	**16.93**	**0.64**	**0.13**	**2.1**	**1.7**	**1.0**	**2.2**	**1.5**	**1.1**
Food, stores	**4.3**			**1.0**		**10.85**	**0.46**	**0.11**	**1.7**	**2.4**	**1.0**	**2.0**	**2.0**	**1.1**
Meat	6.0			-0.4	-0.4	1.79	0.11	-0.01	2.5	3.6	1.0	3.4	3.6	0.7
Fish & seafood	2.8			0.5	0.2	0.26	0.01	0.00	2.9	1.4	-0.1	2.8	2.5	0.0
Dairy products & eggs	2.0			0.9	0.6	1.68	0.03	0.02	0.2	1.5	1.2	0.6	1.5	0.9
Bakery & cereal products	1.7			0.3	-0.2	1.44	0.02	0.01	0.5	2.1	0.6	1.2	2.3	0.2
Fruit, fruit prep. & nuts	4.8			4.7	2.8	1.22	0.06	0.06	1.8	4.4	0.7	2.0	3.5	0.8
Vegetables & vegetable prep.	7.2			4.3	2.1	1.21	0.09	0.05	4.9	6.4	0.4	3.6	5.8	0.6
Other food & non-alcoholic beverages	4.4			-0.5	-0.2	3.24	0.14	-0.02	1.0	1.5	2.2	1.3	1.7	1.8
Food purchased from restaurants	**3.1**			**0.3**	**0.3**	**6.08**	**0.19**	**0.02**	**3.0**	**0.7**	**0.2**	**2.6**	**0.7**	**0.7**
Table service restaurants	3.0			0.4		3.46	0.10	0.01	2.9	0.6	0.3	2.6	0.6	0.7
Fast food & take-out	3.2			0.1		1.68	0.05	0.00	3.2	1.2	0.0	2.6	1.2	0.5
Cafeterias & other restaurants	3.1			0.3		0.93	0.03	0.00	3.0	0.6	0.2	2.6	0.7	0.7
Shelter	**1.7**			**-0.1**	**-0.1**	**28.30**	**0.48**	**-0.01**	**1.8**	**0.6**	**-0.2**	**1.7**	**0.8**	**0.0**
Rented accommodation	**3.4**			**0.1**	**0.1**	**7.66**	**0.26**	**0.01**	**1.3**	**0.8**	**2.7**	**1.3**	**0.6**	**3.6**
Rent	3.5			0.1		7.45	0.26	0.01	1.3	0.8	2.8	1.3	0.6	3.7
Tenants' insurance premiums	-1.1			-1.9		0.12	0.00	0.00	1.1	1.6	-1.4	0.3	1.6	-0.9
Tenants' maintenance & repairs	3.8			-1.8		0.09	0.00	0.00	2.2	1.0	1.5	2.6	2.2	0.5
Owned accommodation	**0.4**			**-0.1**		**17.52**	**0.06**	**-0.01**	**2.3**	**0.4**	**-4.5**	**1.7**	**0.8**	**-1.6**
Mortgage interest cost	-0.2			0.1	0.0	5.21	-0.01	0.00	2.1	3.6	-0.6	-0.1	3.6	0.0
Homeowners' replacement cost	-2.5			-0.3	-0.4	4.38	-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	2.48	0.14	0.00	2.4	0.6	5.6	2.8	0.7	4.0
Homeowners' home & mortgage insurance	4.6			0.1	0.2	1.56	0.07	0.00	5.2	2.3	-0.3	4.5	2.6	0.0
Homeowners' maintenance & repairs	1.4			0.0	0.0	1.89	0.03	0.00	2.0	1.1	-0.5	2.0	1.4	-0.4
Other owned accomodation expenses	-2.1			0.3	0.1	2.00	-0.04	0.01	2.0	1.2	-3.4	2.4	2.0	-2.3
Water, fuel, & elec.	**5.5**			**-0.4**		**3.13**	**0.17**	**-0.01**	**0.8**	**2.1**	**2.2**	**2.5**	**3.4**	**0.9**
Electricity	3.7			0.2	0.1	1.67	0.06	0.00	1.2	4.4	0.6	2.5	3.8	0.3
Water	5.0			0.0	0.2	0.78	0.04	0.00	3.7	0.9	1.4	4.9	1.4	0.1
Natural gas	-4.2			-1.9	-1.9	0.44	-0.02	-0.01	-1.3	9.0	-0.3	0.4	10.6	-0.4
Fuel oil & other fuels	45.6			-3.7	-3.7	0.24	0.11	-0.01	-0.1	15.5	2.9	5.1	14.2	2.8
Household operations, furniture & equipment	**-0.2**			**0.0**	**-0.2**	**12.80**	**-0.02**	**0.00**	**1.2**	**1.0**	**-1.3**	**1.4**	**0.9**	**-1.8**
Household ops.	**0.3**			**0.9**		**8.72**	**0.02**	**0.08**	**1.3**	**1.1**	**-0.9**	**2.1**	**1.3**	**-1.4**
Communications	0.2			1.6	1.6	2.79	0.01	0.04	0.0	2.8	0.1	1.5	2.9	-0.5
Child care & housekeeping services	-1.8			0.2	-0.1	0.64	-0.01	0.00	3.4	1.4	-3.8	3.3	1.3	-3.9
Household cleaning products	2.9			-0.3	0.1	0.34	0.01	0.00	1.3	1.9	0.9	0.8	1.9	1.1
Paper, plastic, aluminum foil	2.0			-0.2	0.6	0.43	0.01	0.00	2.2	2.2	-0.1	2.0	2.0	0.0
Other household goods & services	0.2			0.7	0.2	4.53	0.01	0.03	1.8	0.5	-3.4	2.4	1.1	-2.1
Household furnishings & equip.	**-0.8**			**-1.7**		**4.08**	**-0.03**	**-0.07**	**0.8**	**1.7**	**-1.0**	**0.1**	**1.6**	**-0.5**
Furniture & textiles	0.3			-0.1		1.64	0.00	0.00	0.4	2.1	-0.1	-0.3	2.1	0.3
Household equipment	-2.1			-3.5	-2.2	1.93	-0.04	-0.07	0.9	1.7	-1.8	0.0	1.8	-1.2
Services related to furnishings & equipment	0.8			0.0	0.1	0.36	0.00	0.00	2.4	1.8	-0.9	2.7	2.9	-0.7
Clothing & footwear	**1.9**			**1.2**	**0.1**	**4.5**	**0.08**	**0.06**	**0.6**	**1.2**	**1.1**	**0.3**	**1.4**	**1.1**
Clothing	**0.7**			**0.5**	**-0.2**	**2.92**	**0.02**	**0.01**	**0.5**	**1.6**	**0.2**	**-0.3**	**2.1**	**0.5**
Footwear	**-1.6**			**0.3**	**-0.3**	**0.62**	**-0.01**	**0.00**	**0.4**	**1.2**	**-1.7**	**0.1**	**1.4**	**-1.2**
Clothing accessories	**9.9**			**4.9**		**0.71**	**0.07**	**0.04**	**1.0**	**1.8**	**5.0**	**2.3**	**2.6**	**3.0**
Clothing material	**2.9**			**1.0**		**0.26**	**0.01**	**0.00**	**2.2**	**0.7**	**1.1**	**2.7**	**1.2**	**0.2**

May 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	**9.0**			**2.0**	**1.2**	**18.5**	**1.66**	**0.36**	**1.7**	**3.1**	**2.3**	**2.3**	**3.0**	**2.2**
Private trans.	**9.5**			**1.7**		**16.7**	**1.59**	**0.28**	**1.3**	**3.2**	**2.5**	**2.2**	**3.2**	**2.3**
Purchase, lease, rental of passenger vehicles	2.3			0.5		7.29	0.17	0.04	2.3	1.5	0.0	1.9	1.6	0.2
Purchase & lease of passenger vehicles	*2.4*			*0.5*		*7.24*	*0.17*	*0.04*	*2.3*	*1.5*	*0.0*	*1.9*	*1.6*	*0.3*
Rental of passenger vehicles	*-6.3*			*0.0*	*-1.0*	*0.05*	*0.00*	*0.00*	*1.4*	*5.2*	*-1.5*	*1.2*	*4.1*	*-1.8*
Operation of passenger vehicles	15.4			2.5		9.44	1.45	0.24	0.7	5.7	2.6	2.4	5.4	2.4
Gasoline	*33.2*			*5.6*	*6.8*	*4.01*	*1.33*	*0.22*	*-0.6*	*13.5*	*2.5*	*3.0*	*12.2*	*2.5*
Passenger vehicle parts, maintenance & repairs	*2.9*			*0.0*	*0.3*	*2.39*	*0.07*	*0.00*	*1.9*	*0.3*	*2.8*	*1.6*	*0.8*	*1.6*
Other passenger vehicle expenses	*5.2*			*0.6*	*0.6*	*3.04*	*0.16*	*0.02*	*2.4*	*2.2*	*1.3*	*2.6*	*2.0*	*1.3*
Public trans.	**4.7**			**4.9**		**1.81**	**0.08**	**0.09**	**4.8**	**3.9**	**0.0**	**3.4**	**3.7**	**0.3**
Local & commuter transportation	-1.0			0.0	-0.3	0.47	0.00	0.00	1.5	0.5	-5.1	2.2	1.2	-2.8
City bus & subway	*0.7*			*0.0*		*0.30*	*0.00*	*0.00*	*2.1*	*0.7*	*-1.9*	*2.8*	*1.4*	*-1.4*
Taxi & other commuter service	*-5.0*			*0.0*		*0.17*	*-0.01*	*0.00*	*0.1*	*0.8*	*-6.4*	*0.9*	*1.2*	*-4.8*
Inter-city transportation	6.9			6.8	2.9	1.19	0.08	0.08	6.2	5.7	0.1	3.9	5.8	0.5
Air transportation	*7.4*			*6.7*		*1.10*	*0.08*	*0.07*	*6.5*	*6.2*	*0.2*	*4.0*	*6.4*	*0.5*
Rail, highway bus, other	*2.6*			*7.8*		*0.09*	*0.00*	*0.01*	*2.7*	*1.8*	*0.0*	*2.0*	*4.2*	*0.2*
Health & personal care	**2.7**			**0.4**	**0.1**	**5.40**	**0.1**	**0.02**	**1.4**	**0.4**	**3.2**	**1.3**	**0.9**	**1.6**
Health care	**2.1**			**0.1**		**2.83**	**0.1**	**0.00**	**1.3**	**0.6**	**1.4**	**1.1**	**0.8**	**1.2**
Health care goods	0.9			0.2	0.2	1.72	0.0	0.00	0.5	0.7	0.7	-0.1	1.1	1.0
Health care services	3.7			0.0	0.2	1.11	0.0	0.00	2.5	0.6	2.2	2.9	0.8	1.1
Personal Care	**3.2**			**0.6**		**2.56**	**0.1**	**0.01**	**1.5**	**0.5**	**3.2**	**1.5**	**1.2**	**1.5**
Personal care supplies & equipment	2.4			0.2	-0.1	1.68	0.0	0.00	0.4	0.9	2.2	0.5	1.6	1.2
Personal care services	4.8			1.5	0.4	0.88	0.0	0.01	2.9	0.7	2.6	2.7	1.4	1.5
Recreation, education & reading	**2.8**			**3.5**	**1.3**	**9.81**	**0.3**	**0.35**	**1.7**	**0.8**	**1.5**	**1.3**	**0.9**	**1.8**
Recreation	**3.2**			**4.49**		**7.68**	**0.25**	**0.35**	**1.4**	**1.0**	**1.8**	**0.6**	**1.2**	**2.1**
Recreational equipment & services, excl. vehicles	1.0			0.6	0.5	2.15	0.0	0.01	-0.8	1.6	1.2	-2.2	2.0	1.6
Purchase & operation of recreational vehicles	6.9			0.8	0.2	1.51	0.1	0.01	2.6	1.8	2.3	1.9	2.0	2.6
Home entertainment equipment	5.2			3.7	2.6	0.49	0.0	0.02	-3.8	2.0	4.4	-4.9	2.2	4.6
Travel services	1.3			17.2	3.1	1.58	0.0	0.27	0.8	2.9	0.2	0.4	2.8	0.3
Other cultural & rec. services	4.8			1.5	0.5	1.95	0.1	0.03	3.5	1.1	1.2	3.4	1.4	1.0
Educ. & reading	**1.6**			**0.00**		**2.12**	**0.03**	**0.00**	**2.5**	**1.4**	**-0.7**	**3.0**	**1.1**	**-1.3**
Education	1.8			0.0	0.1	1.88	0.0	0.00	2.4	1.4	-0.4	3.0	1.2	-1.0
Reading material excl. textbooks	-0.4			0.1	0.1	0.24	0.0	0.00	3.8	2.8	-1.5	3.2	2.9	-1.2
Alcoholic beverages, tobacco & rec. cannabis	**1.3**			**0.4**	**0.3**	**3.73**	**0.0**	**0.02**	**3.2**	**1.2**	**-1.6**	**2.7**	**1.3**	**-1.1**
Alcoholic beverages	**2.4**			**0.64**		**2.49**	**0.06**	**0.02**	**1.7**	**0.5**	**1.3**	**1.4**	**0.7**	**1.4**
Alc. beverages served in licensed establishments	3.5			0.6	0.2	0.78	0.0	0.00	1.8	0.6	2.8	2.0	0.7	2.2
Alc. beverages purchased from stores	1.9			0.6	0.8	1.71	0.0	0.01	1.7	0.7	0.4	1.1	1.1	0.8
Tobacco products	**-0.1**			**0.12**		**0.85**	**0.00**	**0.00**	**5.6**	**2.1**	**-2.7**	**4.8**	**2.8**	**-1.7**
Cigarettes	0.0			0.1		0.74	0.0	0.00	5.6	2.1	-2.7	4.8	2.8	-1.7
Other tobacco products & supplies	-0.2			0.3		0.12	0.0	0.00	5.6	2.0	-2.9	4.9	2.6	-2.0
Rec. cannabis	**-2.5**			**0.00**		**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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