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GLOBAL ECONOMICS

SCOTIA FLASH

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Hot Core Inflation is Positioning The Bank of Canada Behind the Curve Again

- **All higher frequency core measures of inflation are well above target…**
- **…while all y/y inflation readings are around 2% or higher…**
- **…with the output gap expected to close in 1–2 quarters**
- **Lags in monetary policy adjustments position the BoC to be playing catch-up again**
- **Our 3% terminal rate is light**
- **Statcan's website failings must be addressed by the Minister in charge**

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

Actual: -0.1 / 3.0

Scotia: 0.1 / 3.2

Consensus: -0.1 / 3.0

Prior: 0.5 / 3.0

Core inflation, m/m SAAR, August:

Trimmed mean CPI: 3.9

Weighted median CPI: 2.7

CPI ex food and energy: 2.8

Core inflation is on a tear in Canada and that continues to support a rate hike at the October meeting. These numbers are strongly suggesting that the Bank of Canada is behind the curve in fighting inflation. Again.

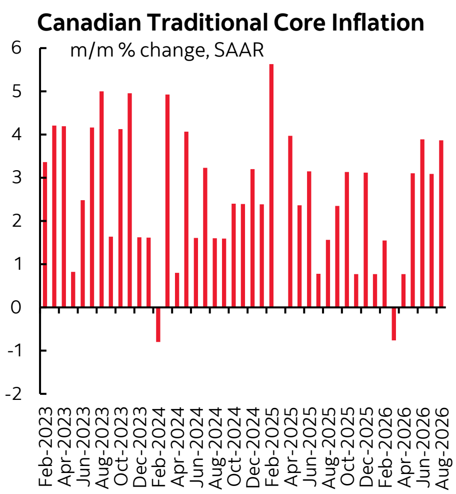
All three of the main core inflation targets are running hotter than the 2% inflation target.

- Traditional core CPI (ex-food and energy): This landed at 3.9% m/m SAAR for the hottest reading since April 2025. It's one of several such instances. The three-month moving average is 3.6% m/m SAAR. The four-month moving average is 3.6% which is the hottest since November 2023. This measure has been at or above 3% m/m SAAR for four straight months. Chart 1.
- Weighted median CPI was up by 2.7% m/m SAAR for the second straight month. Its 3mo MA is 2.2%. Chart 2.
- Trimmed mean CPI was up by 2.8% m/m SAAR for the second month. Its 3mo MA is 2.2%. Chart 2 again.

The year-over-year rates also all point to the same conclusion that the BoC is behind the inflation fight. Total CPI is up 3% y/y. Traditional core is 2.1% y/y. Weighted median and trimmed mean are running at 2.1% and 1.9% respectively. There are two cautions.

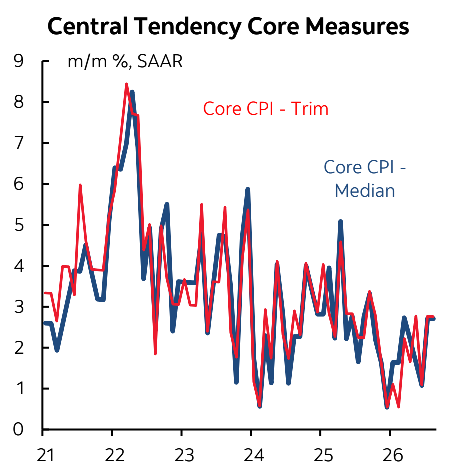
First, be careful toward the central tendency measures of core inflation (TM and WM). They are not spot y/y readings. They are compounded m/m annualized readings that take in one new month and kick out the oldest reading each month. They turn very slowly and can offer a misleading impression of more recent inflationary pressures.

Chart 1



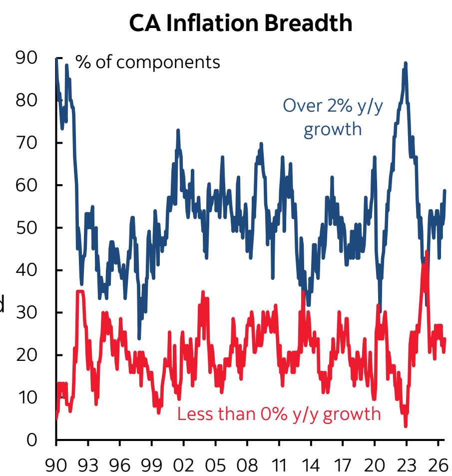
Sources: Scotiabank Economics, Statistics Canada.

Chart 2



Sources: Scotiabank Economics, Statistics Canada.

Chart 3



Sources: Scotiabank Economics, Statistics Canada.

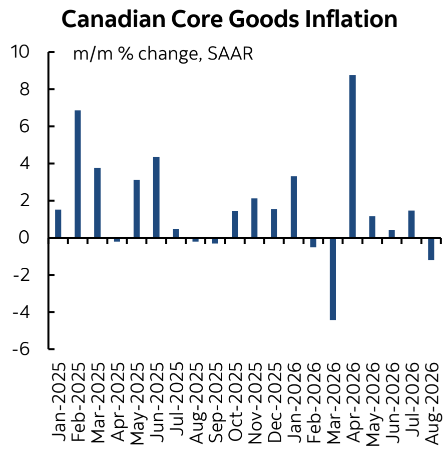
Secondly, they are basically all at or above the BoC's 2% inflation target. This is key. You shouldn't be hanging around the low end of neutral with a real policy rate around zero if not negative when all of your inflation gauges are on or above target.

The breadth of inflationary pressures is rising (chart 3).

Core good prices were relatively tame (chart 4). They may pick up in future months on limited effects from retaliatory tariffs but I expect that to be small and uncertain. Inventories, advance ordering, and wide profit margins may be among the limited passthrough arguments.

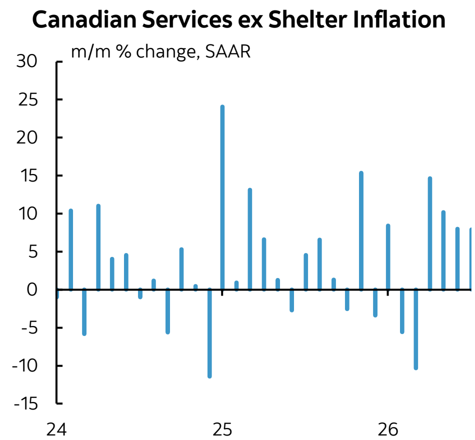
Core services inflation was the culprit as service prices ex-shelter accelerated (chart 5).

Chart 4



Sources: Scotiabank Economics, Statistics Canada, Haver.

Chart 5



Sources: Scotiabank Economics, Statistics Canada, Haver.

One reason for this was travel tour pricing and traveler accommodation that were the hottest categories behind the jump in rec/reading/education prices (chart 6). Still, travel services was not at the 50th percentile (hence not the driver of weighted median CPI) and was not included in trimmed mean CPI that removes the top (in this case) and bottom of price changes ranked on a weighted contribution basis. Therefore this category did not play a role in driving TM and WM to be on the hot side.

Shelter also picked up with rented accommodation accelerating.

Charts 7–23 break down parts of the basket.

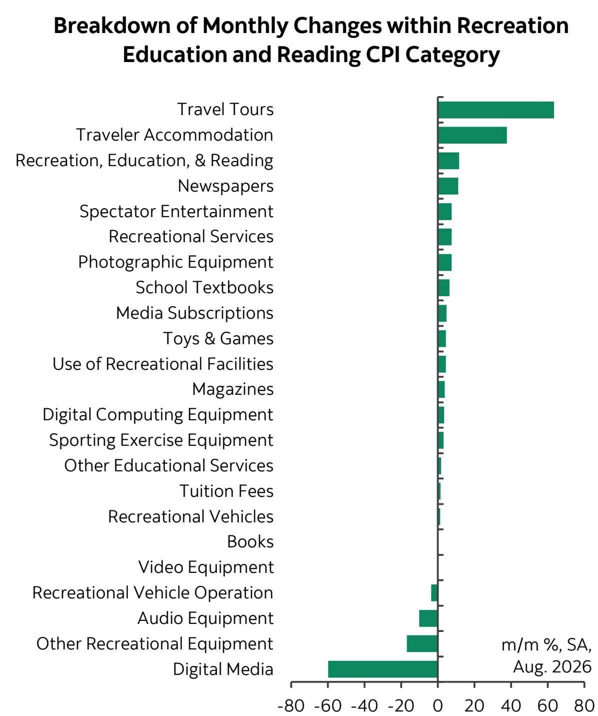
Charts 24–25 break down the m/m basket in raw and weighted contributions respectively. Charts 26–27 do likewise for the y/y rates.

Please also see the accompanying table that provides further detail.

I realize these are views that are not apparent in the financial press. I have no explanation for this. The BoC meeting pricing is now at 75% odds of a hike in October, 80% of 50bps priced by December, and about 1¼% of hikes priced by next summer. You'll hear those newswires talk hikes when it's far too late to be relevant.

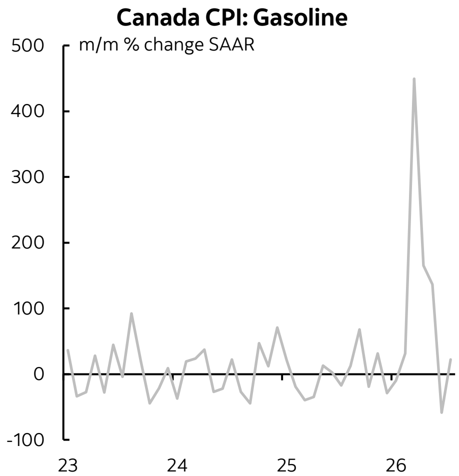
The Minister responsible for Statistics Canada—Melanie Joly—needs to demand answers and accountability for yet another time when Statistics Canada's website and data feeds failed on a major release.

Chart 6



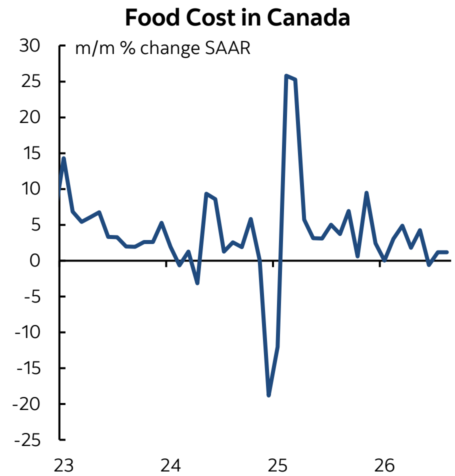
Sources: Scotiabank Economics, Statistics Canada, Haver.

Chart 7



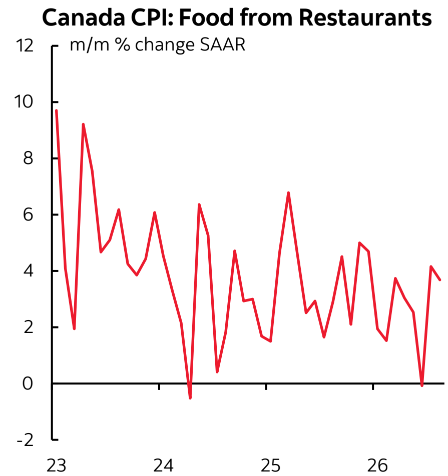
Sources: Scotiabank Economics, Statistics Canada.

Chart 8



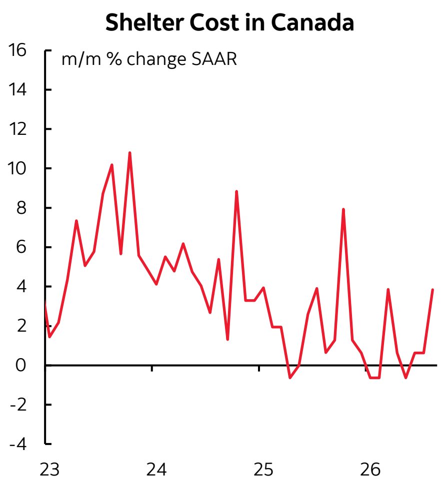
Sources: Scotiabank Economics, Statistics Canada.

Chart 9



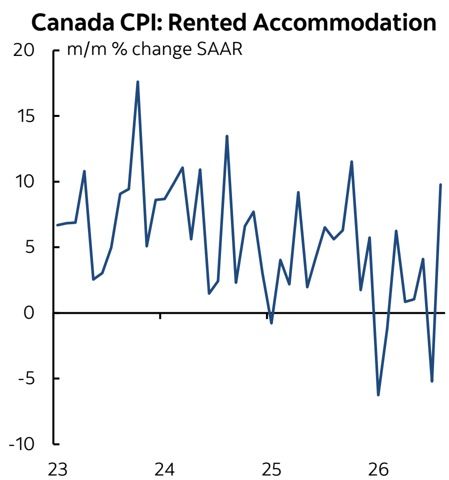
Sources: Scotiabank Economics, Statistics Canada.

Chart 10



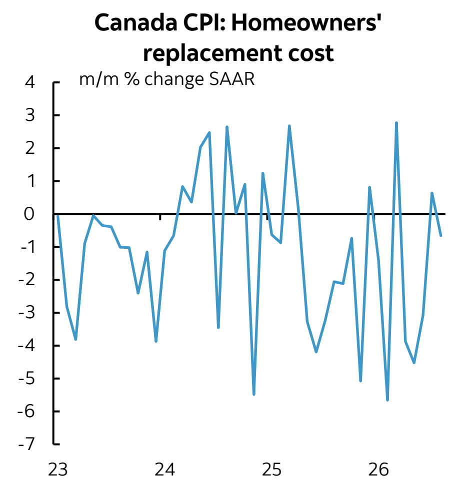
Sources: Scotiabank Economics, Statistics Canada.

Chart 11



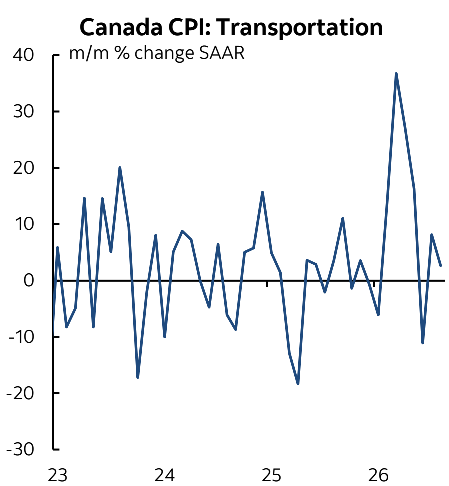
Sources: Scotiabank Economics, Statistics Canada.

Chart 12



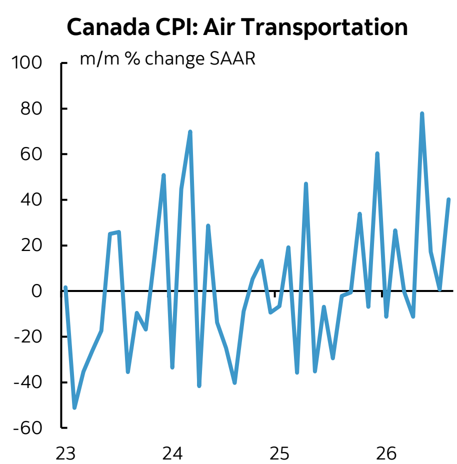
Sources: Scotiabank Economics, Statistics Canada.

Chart 13



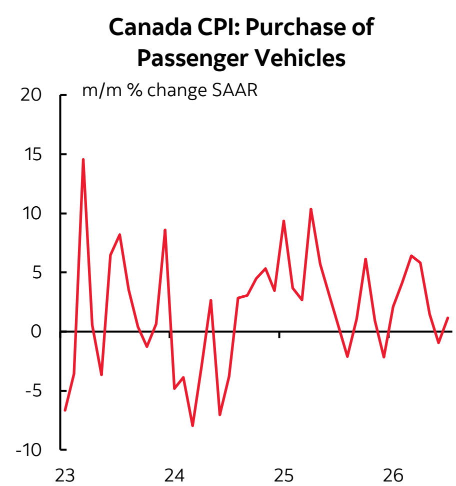
Sources: Scotiabank Economics, Statistics Canada.

Chart 14



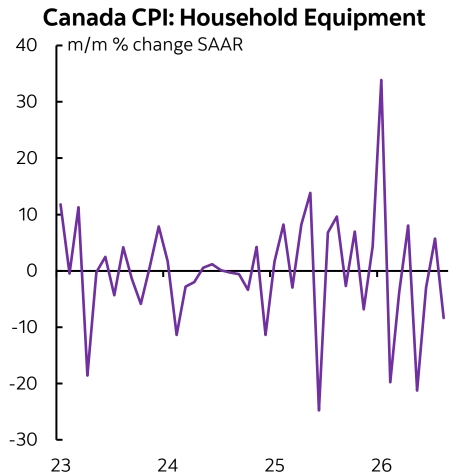
Sources: Scotiabank Economics, Statistics Canada, Haver.

Chart 15



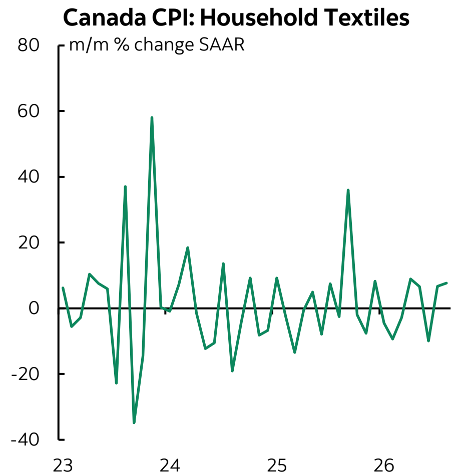
Sources: Scotiabank Economics, Statistics Canada.

Chart 16



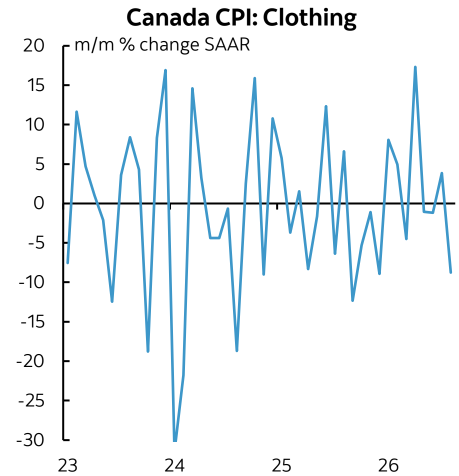
Sources: Scotiabank Economics, Statistics Canada.

Chart 17



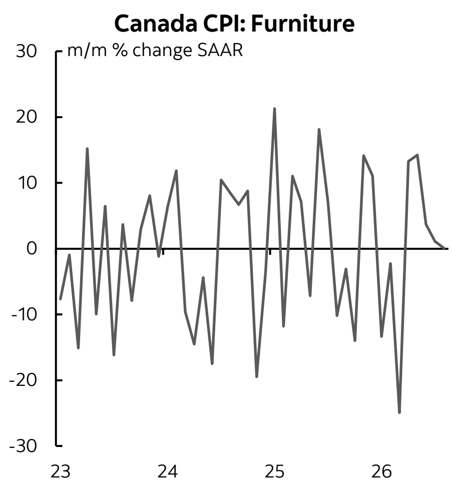
Sources: Scotiabank Economics, Statistics Canada.

Chart 18



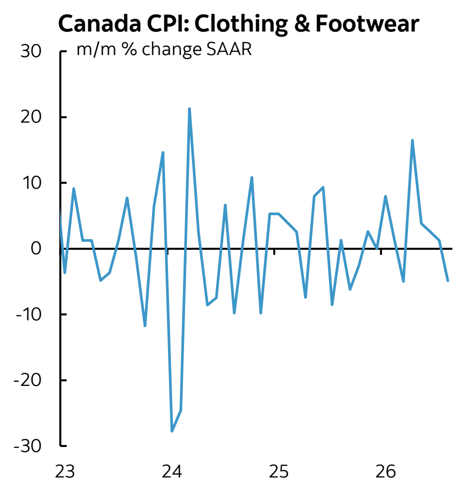
Sources: Scotiabank Economics, Statistics Canada.

Chart 19



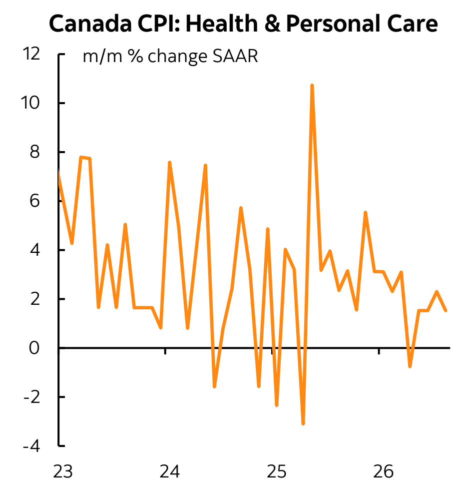
Sources: Scotiabank Economics, Statistics Canada.

Chart 20



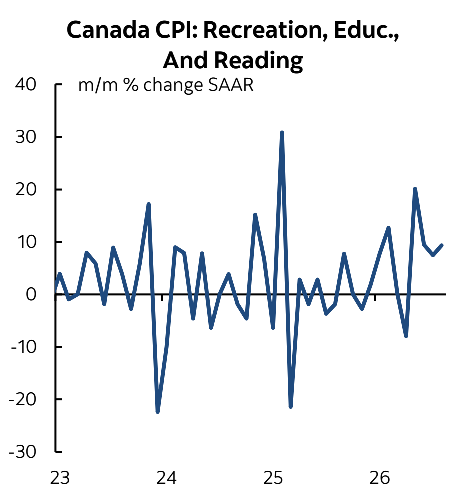
Sources: Scotiabank Economics, Statistics Canada.

Chart 21



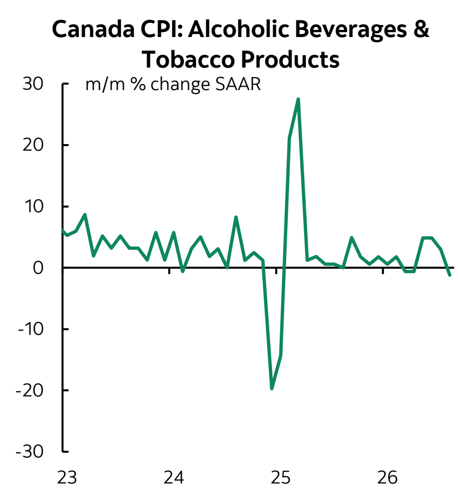
Sources: Scotiabank Economics, Statistics Canada.

Chart 22



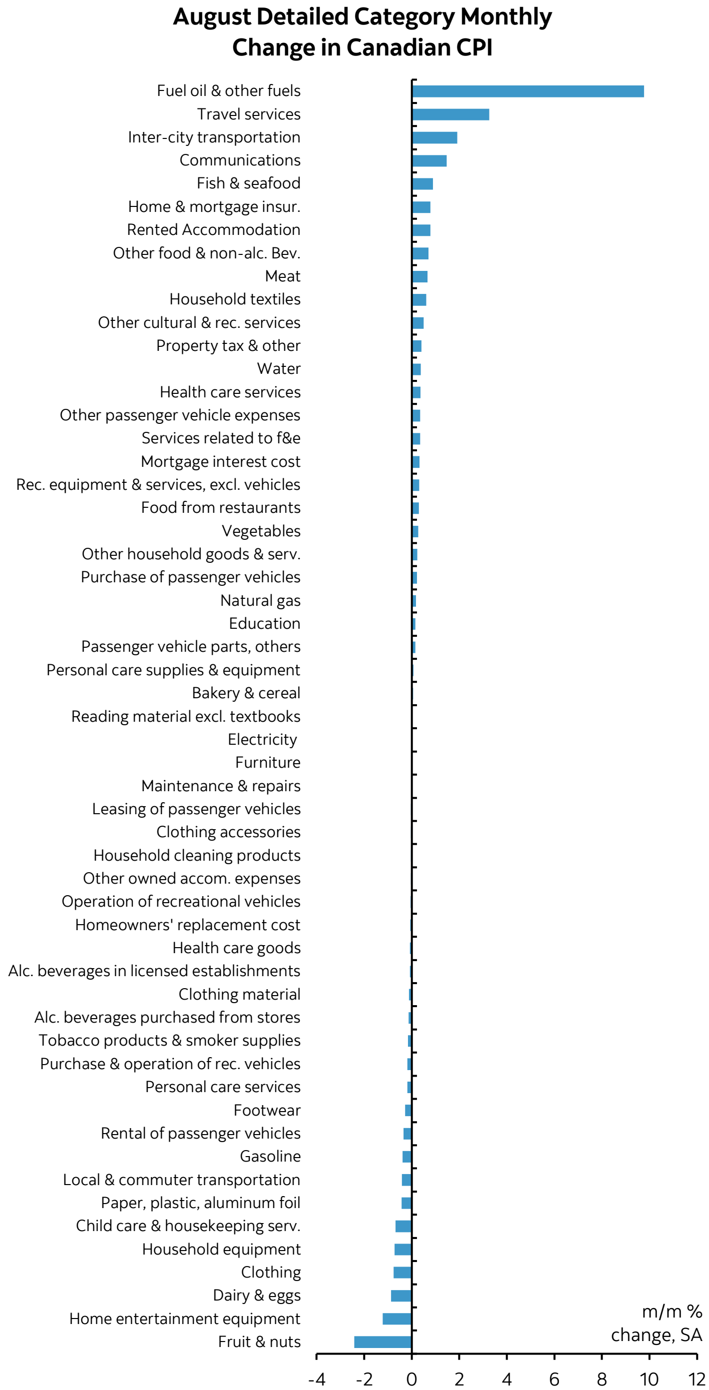
Sources: Scotiabank Economics, Statistics Canada.

Chart 23



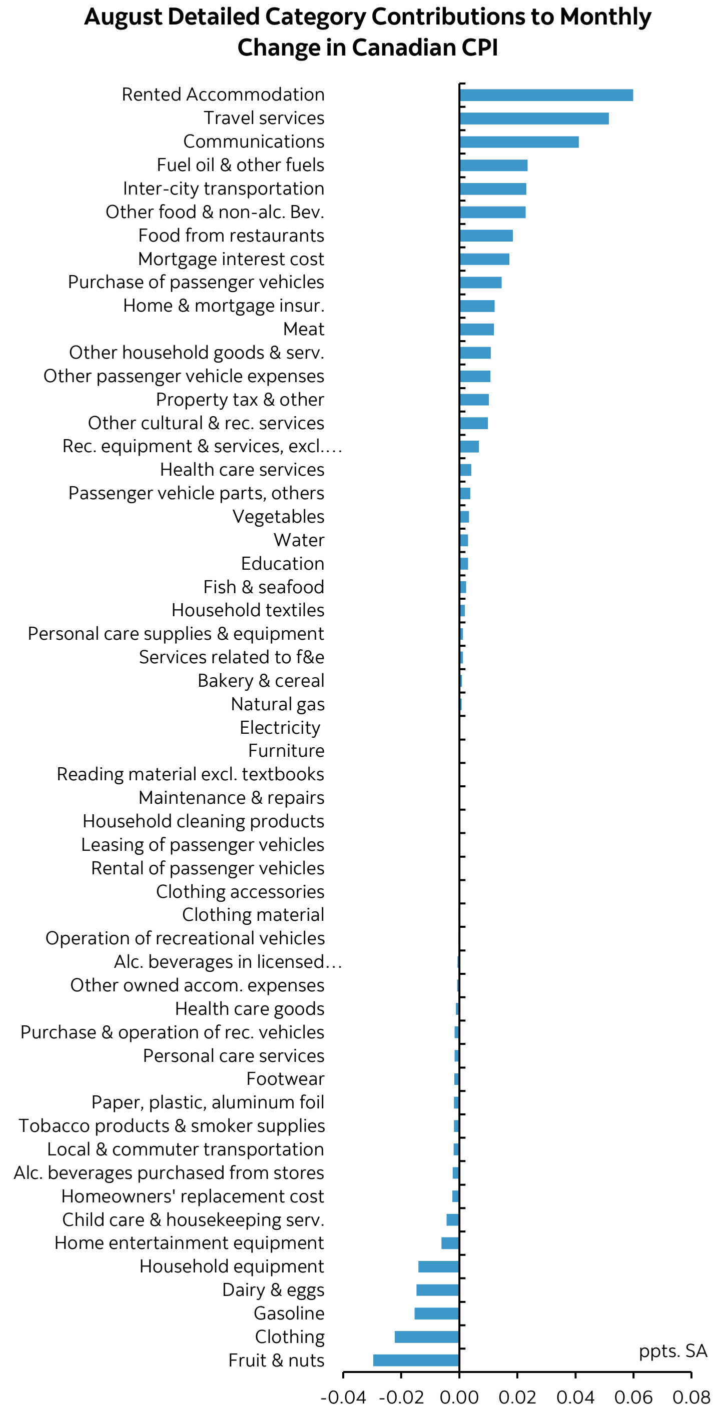
Sources: Scotiabank Economics, Statistics Canada.

Chart 24



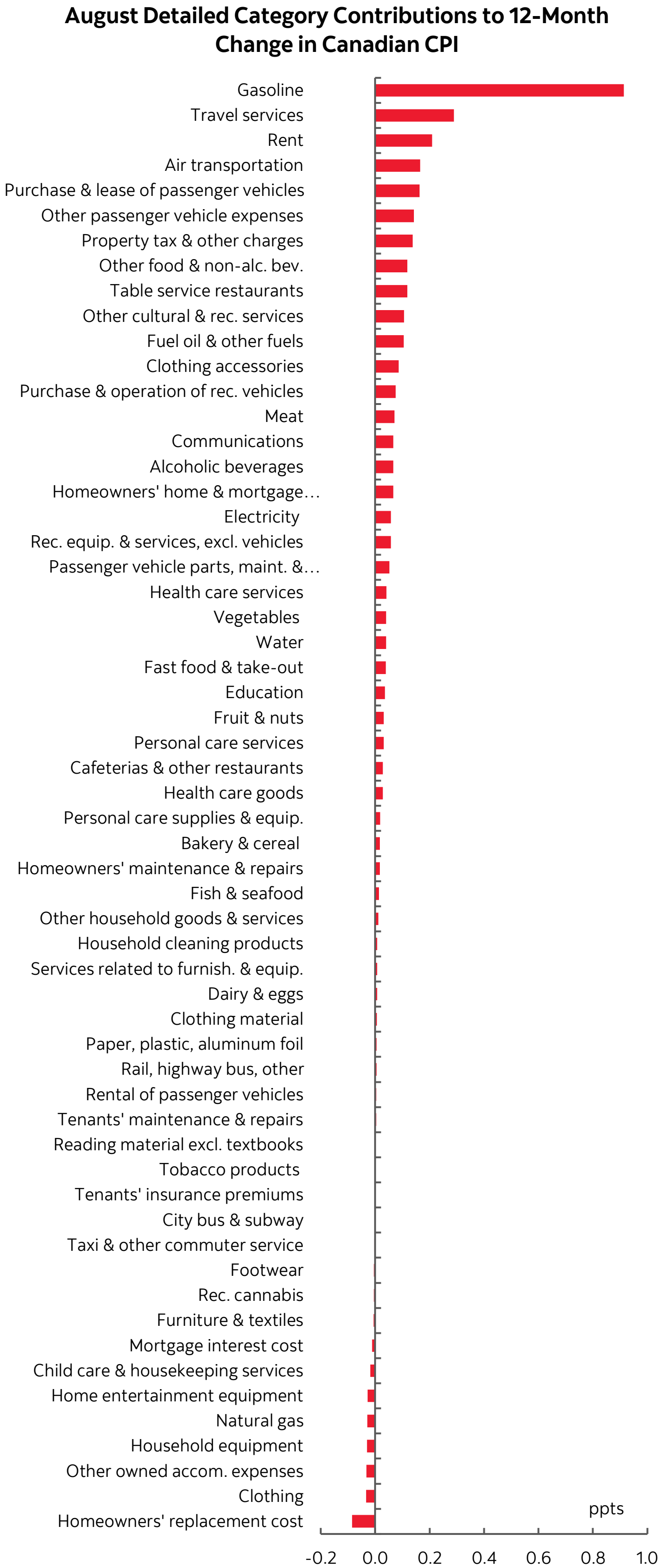
Sources: Scotiabank Economics, Statistics Canada.

Chart 25



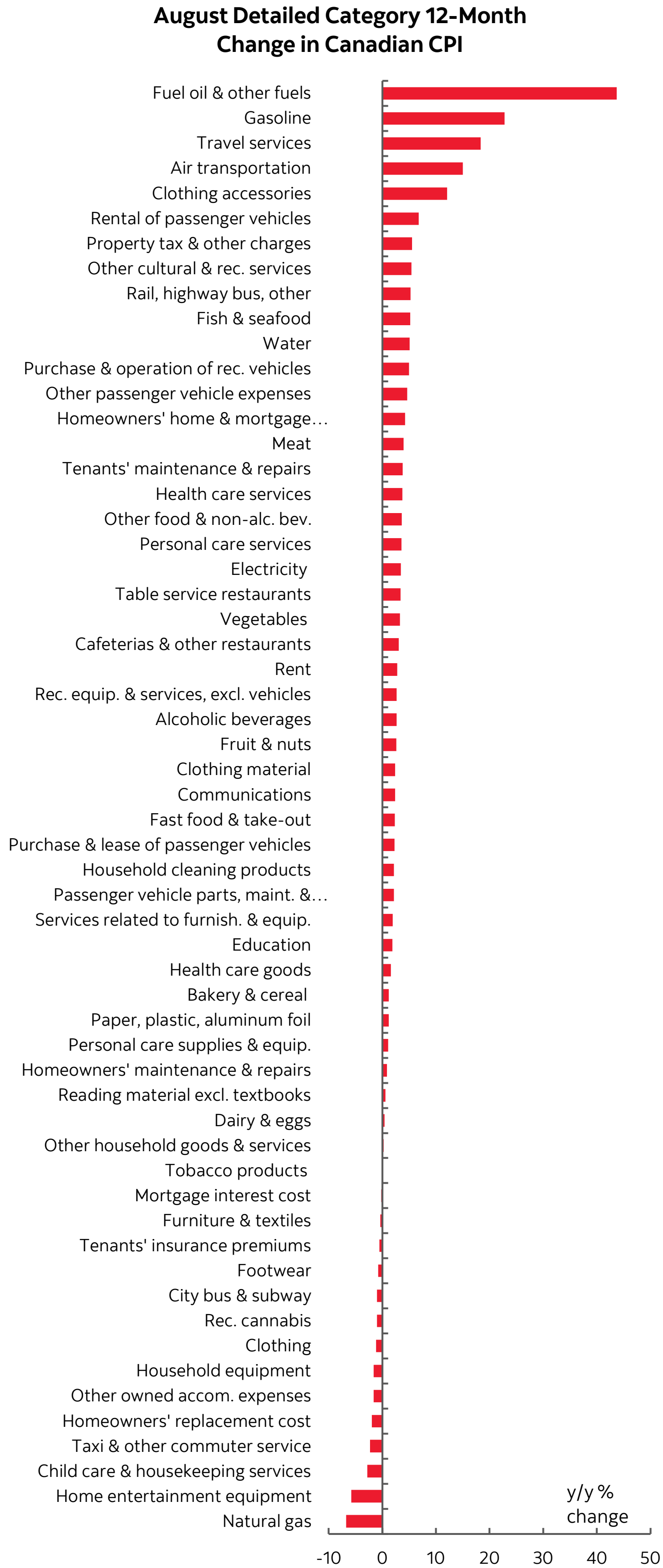
Sources: Scotiabank Economics, Statistics Canada.

Chart 26



Sources: Scotiabank Economics, Statistics Canada.

Chart 27



Sources: Scotiabank Economics, Statistics Canada.

September 14, 2026

Aug 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	**2.8**			**-0.2**	**0.1**	**16.93**	**0.48**	**-0.03**	**2.1**	**1.7**	**0.4**	**2.2**	**1.5**	**0.5**
Food, stores	**2.8**			**-0.4**		**10.85**	**0.30**	**-0.05**	**1.7**	**2.4**	**0.4**	**2.0**	**2.0**	**0.4**
Meat	4.0			1.3	0.7	1.79	0.07	0.02	2.5	3.6	0.4	3.4	3.6	0.2
Fish & seafood	5.2			0.9	0.9	0.26	0.01	0.00	2.9	1.4	1.6	2.8	2.5	1.0
Dairy products & eggs	0.4			-1.3	-0.9	1.68	0.01	-0.02	0.2	1.5	0.1	0.6	1.5	-0.2
Bakery & cereal products	1.2			-0.4	0.1	1.44	0.02	-0.01	0.5	2.1	0.3	1.2	2.3	0.0
Fruit, fruit prep. & nuts	2.6			-4.5	-2.4	1.22	0.03	-0.05	1.8	4.4	0.2	2.0	3.5	0.2
Vegetables & vegetable prep.	3.3			-1.7	0.3	1.21	0.04	-0.02	4.9	6.4	-0.3	3.6	5.8	-0.1
Other food & non-alcoholic beverages	3.6			0.9	0.7	3.24	0.12	0.03	1.0	1.5	1.7	1.3	1.7	1.4
Food purchased from restaurants	**3.1**			**0.3**	**0.3**	**6.08**	**0.19**	**0.02**	**3.0**	**0.7**	**0.1**	**2.6**	**0.7**	**0.6**
Table service restaurants	3.4			0.2		3.46	0.12	0.01	2.9	0.6	1.0	2.6	0.6	1.3
Fast food & take-out	2.3			0.4		1.68	0.04	0.01	3.2	1.2	-0.8	2.6	1.2	-0.3
Cafeterias & other restaurants	3.1			0.2		0.93	0.03	0.00	3.0	0.6	0.2	2.6	0.7	0.6
Shelter	**1.5**			**0.3**	**0.3**	**28.30**	**0.44**	**0.09**	**1.8**	**0.6**	**-0.4**	**1.7**	**0.8**	**-0.3**
Rented accommodation	**2.8**			**0.8**	**0.8**	**7.66**	**0.21**	**0.06**	**1.3**	**0.8**	**1.8**	**1.3**	**0.6**	**2.5**
Rent	2.8			0.8		7.45	0.21	0.06	1.3	0.8	1.9	1.3	0.6	2.5
Tenants' insurance premiums	-0.5			0.5		0.12	0.00	0.00	1.1	1.6	-1.0	0.3	1.6	-0.5
Tenants' maintenance & repairs	3.8			0.0		0.09	0.00	0.00	2.2	1.0	1.5	2.6	2.2	0.5
Owned accommodation	**0.5**			**0.1**		**17.52**	**0.09**	**0.02**	**2.3**	**0.4**	**-4.2**	**1.7**	**0.8**	**-1.4**
Mortgage interest cost	-0.2			0.3	0.3	5.21	-0.01	0.02	2.1	3.6	-0.6	-0.1	3.6	0.0
Homeowners' replacement cost	-1.9			0.0	-0.1	4.38	-0.09	0.00	1.9	1.7	-2.3	2.1	1.5	-2.8
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	4.3			0.4	0.8	1.56	0.07	0.01	5.2	2.3	-0.4	4.5	2.6	-0.1
Homeowners' maintenance & repairs	0.9			0.0	0.0	1.89	0.02	0.00	2.0	1.1	-1.0	2.0	1.4	-0.8
Other owned accomodation expenses	-1.6			-0.4	0.0	2.00	-0.03	-0.01	2.0	1.2	-3.0	2.4	2.0	-2.1
Water, fuel, & elec.	**4.9**			**0.7**		**3.13**	**0.15**	**0.02**	**0.8**	**2.1**	**1.9**	**2.5**	**3.4**	**0.7**
Electricity	3.5			0.0	0.0	1.67	0.06	0.00	1.2	4.4	0.5	2.5	3.8	0.3
Water	5.1			0.0	0.4	0.78	0.04	0.00	3.7	0.9	1.5	4.9	1.4	0.1
Natural gas	-6.7			0.2	0.2	0.44	-0.03	0.00	-1.3	9.0	-0.6	0.4	10.6	-0.7
Fuel oil & other fuels	43.7			9.8	9.8	0.24	0.10	0.02	-0.1	15.5	2.8	5.1	14.2	2.7
Household operations, furniture & equipment	**0.4**			**0.3**	**0.2**	**12.80**	**0.05**	**0.04**	**1.2**	**1.0**	**-0.8**	**1.4**	**0.9**	**-1.2**
Household ops.	**0.8**			**0.3**		**8.72**	**0.07**	**0.02**	**1.3**	**1.1**	**-0.5**	**2.1**	**1.3**	**-1.0**
Communications	2.4			1.5	1.5	2.79	0.07	0.04	0.0	2.8	0.8	1.5	2.9	0.3
Child care & housekeeping services	-2.8			-0.3	-0.7	0.64	-0.02	0.00	3.4	1.4	-4.5	3.3	1.3	-4.6
Household cleaning products	2.2			0.0	0.0	0.34	0.01	0.00	1.3	1.9	0.5	0.8	1.9	0.7
Paper, plastic, aluminum foil	1.2			-3.2	-0.4	0.43	0.01	-0.01	2.2	2.2	-0.4	2.0	2.0	-0.4
Other household goods & services	0.3			-0.1	0.2	4.53	0.01	0.00	1.8	0.5	-3.2	2.4	1.1	-2.0
Household furnishings & equip.	**-0.7**			**0.4**		**4.08**	**-0.03**	**0.01**	**0.8**	**1.7**	**-0.9**	**0.1**	**1.6**	**-0.5**
Furniture & textiles	-0.4			-0.2		1.64	-0.01	0.00	0.4	2.1	-0.4	-0.3	2.1	0.0
Household equipment	-1.6			0.8	-0.7	1.93	-0.03	0.02	0.9	1.7	-1.5	0.0	1.8	-0.9
Services related to furnishings & equipment	1.9			0.0	0.4	0.36	0.01	0.00	2.4	1.8	-0.3	2.7	2.9	-0.3
Clothing & footwear	**1.2**			**-0.8**	**-0.4**	**4.5**	**0.05**	**-0.04**	**0.6**	**1.2**	**0.5**	**0.3**	**1.4**	**0.6**
Clothing	**-1.1**			**-1.9**	**-0.8**	**2.92**	**-0.03**	**-0.06**	**0.5**	**1.6**	**-1.0**	**-0.3**	**2.1**	**-0.4**
Footwear	**-0.8**			**-1.1**	**-0.3**	**0.62**	**0.00**	**-0.01**	**0.4**	**1.2**	**-1.0**	**0.1**	**1.4**	**-0.6**
Clothing accessories	**12.1**			**3.1**		**0.71**	**0.09**	**0.02**	**1.0**	**1.8**	**6.2**	**2.3**	**2.6**	**3.8**
Clothing material	**2.4**			**0.2**		**0.26**	**0.01**	**0.00**	**2.2**	**0.7**	**0.3**	**2.7**	**1.2**	**-0.2**

Aug 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	**7.5**			**-0.6**	**0.2**	**18.5**	**1.40**	**-0.11**	**1.7**	**3.1**	**1.9**	**2.3**	**3.0**	**1.8**
Private trans.	**7.2**			**-0.3**		**16.7**	**1.20**	**-0.05**	**1.3**	**3.2**	**1.8**	**2.2**	**3.2**	**1.6**
Purchase, lease, rental of passenger vehicles	2.2			-0.5		7.29	0.16	-0.03	2.3	1.5	-0.1	1.9	1.6	0.2
Purchase & lease of passenger vehicles	*2.3*			*-0.5*		*7.24*	*0.16*	*-0.03*	*2.3*	*1.5*	*-0.1*	*1.9*	*1.6*	*0.2*
Rental of passenger vehicles	*6.8*			*0.0*	*-0.3*	*0.05*	*0.00*	*0.00*	*1.4*	*5.2*	*1.0*	*1.2*	*4.1*	*1.4*
Operation of passenger vehicles	11.0			-0.3		9.44	1.04	-0.03	0.7	5.7	1.8	2.4	5.4	1.6
Gasoline	*22.8*			*-0.9*	*-0.4*	*4.01*	*0.91*	*-0.04*	*-0.6*	*13.5*	*1.7*	*3.0*	*12.2*	*1.6*
Passenger vehicle parts, maintenance & repairs	*2.2*			*0.0*	*0.2*	*2.39*	*0.05*	*0.00*	*1.9*	*0.3*	*0.7*	*1.6*	*0.8*	*0.7*
Other passenger vehicle expenses	*4.7*			*0.4*	*0.4*	*3.04*	*0.14*	*0.01*	*2.4*	*2.2*	*1.0*	*2.6*	*2.0*	*1.1*
Public trans.	**10.2**			**-2.3**		**1.81**	**0.18**	**-0.04**	**4.8**	**3.9**	**1.4**	**3.4**	**3.7**	**1.9**
Local & commuter transportation	-1.3			-0.2	-0.4	0.47	-0.01	0.00	1.5	0.5	-5.8	2.2	1.2	-3.1
City bus & subway	*-1.0*			*0.0*		*0.30*	*0.00*	*0.00*	*2.1*	*0.7*	*-4.1*	*2.8*	*1.4*	*-2.6*
Taxi & other commuter service	*-2.3*			*-0.4*		*0.17*	*0.00*	*0.00*	*0.1*	*0.8*	*-3.0*	*0.9*	*1.2*	*-2.6*
Inter-city transportation	14.4			-3.0	1.9	1.19	0.17	-0.04	6.2	5.7	1.4	3.9	5.8	1.8
Air transportation	*15.0*			*-3.3*		*1.10*	*0.16*	*-0.04*	*6.5*	*6.2*	*1.4*	*4.0*	*6.4*	*1.7*
Rail, highway bus, other	*5.3*			*1.7*		*0.09*	*0.00*	*0.00*	*2.7*	*1.8*	*1.5*	*2.0*	*4.2*	*0.8*
Health & personal care	**2.2**			**0.1**	**0.1**	**5.40**	**0.1**	**0.01**	**1.4**	**0.4**	**2.0**	**1.3**	**0.9**	**1.1**
Health care	**2.5**			**0.0**		**2.83**	**0.1**	**0.00**	**1.3**	**0.6**	**2.1**	**1.1**	**0.8**	**1.8**
Health care goods	1.6			-0.1	-0.1	1.72	0.0	0.00	0.5	0.7	1.6	-0.1	1.1	1.6
Health care services	3.7			0.0	0.4	1.11	0.0	0.00	2.5	0.6	2.2	2.9	0.8	1.1
Personal Care	**1.9**			**0.2**		**2.56**	**0.0**	**0.01**	**1.5**	**0.5**	**0.8**	**1.5**	**1.2**	**0.4**
Personal care supplies & equipment	1.1			0.2	0.1	1.68	0.0	0.00	0.4	0.9	0.7	0.5	1.6	0.4
Personal care services	3.6			0.5	-0.2	0.88	0.0	0.00	2.9	0.7	1.0	2.7	1.4	0.6
Recreation, education & reading	**5.6**			**-0.1**	**0.7**	**9.81**	**0.5**	**-0.01**	**1.7**	**0.8**	**5.1**	**1.3**	**0.9**	**5.1**
Recreation	**6.5**			**-0.17**		**7.68**	**0.50**	**-0.01**	**1.4**	**1.0**	**5.1**	**0.6**	**1.2**	**4.8**
Recreational equipment & services, excl. vehicles	2.7			-0.4	0.3	2.15	0.1	-0.01	-0.8	1.6	2.3	-2.2	2.0	2.4
Purchase & operation of recreational vehicles	5.0			-0.3	-0.2	1.51	0.1	-0.01	2.6	1.8	1.3	1.9	2.0	1.6
Home entertainment equipment	-5.8			-1.5	-1.2	0.49	0.0	-0.01	-3.8	2.0	-1.0	-4.9	2.2	-0.4
Travel services	18.3			0.4	3.3	1.58	0.3	0.01	0.8	2.9	5.9	0.4	2.8	6.4
Other cultural & rec. services	5.4			0.0	0.5	1.95	0.1	0.00	3.5	1.1	1.8	3.4	1.4	1.5
Educ. & reading	**1.7**			**-0.05**		**2.12**	**0.04**	**0.00**	**2.5**	**1.4**	**-0.6**	**3.0**	**1.1**	**-1.1**
Education	1.9			-0.1	0.2	1.88	0.0	0.00	2.4	1.4	-0.4	3.0	1.2	-0.9
Reading material excl. textbooks	0.6			0.0	0.0	0.24	0.0	0.00	3.8	2.8	-1.2	3.2	2.9	-0.9
Alcoholic beverages, tobacco & rec. cannabis	**1.7**			**-0.1**	**-0.1**	**3.73**	**0.1**	**0.00**	**3.2**	**1.2**	**-1.3**	**2.7**	**1.3**	**-0.8**
Alcoholic beverages	**2.7**			**-0.06**		**2.49**	**0.07**	**0.00**	**1.7**	**0.5**	**1.8**	**1.4**	**0.7**	**1.8**
Alc. beverages served in licensed establishments	3.1			0.4	-0.1	0.78	0.0	0.00	1.8	0.6	2.2	2.0	0.7	1.6
Alc. beverages purchased from stores	2.6			-0.1	-0.1	1.71	0.0	0.00	1.7	0.7	1.3	1.1	1.1	1.4
Tobacco products	**0.0**			**-0.09**		**0.85**	**0.00**	**0.00**	**5.6**	**2.1**	**-2.7**	**4.8**	**2.8**	**-1.7**
Cigarettes	0.2			0.0		0.74	0.0	0.00	5.6	2.1	-2.6	4.8	2.8	-1.7
Other tobacco products & supplies	-1.0			-0.4		0.12	0.0	0.00	5.6	2.0	-3.3	4.9	2.6	-2.2
Rec. cannabis	**-1.0**			**-0.58**		**0.39**	**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.