

Contributors

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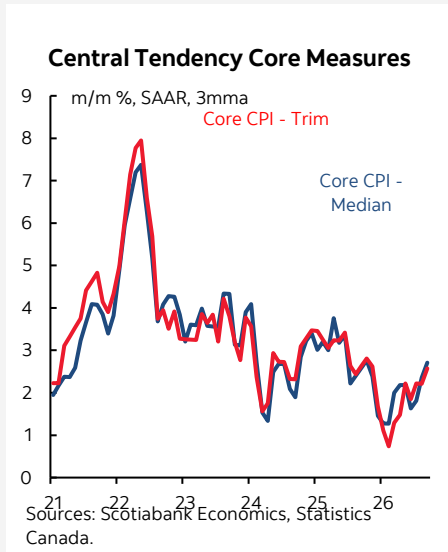
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Chart 1

Canadian Core CPI Measures			
Month	Traditional Core	Weighted Median	Trimmed Mean
Jan-2026	0.8	1.6	1.1
Feb-2026	1.5	1.6	0.6
Mar-2026	-0.8	2.7	2.2
Apr-2026	0.8	2.2	1.7
May-2026	3.1	1.6	2.8
Jun-2026	3.9	1.1	1.1
Jul-2026	3.1	2.7	2.8
Aug-2026	3.1	3.3	2.8
Sep-2026	1.5	2.2	2.2

Sources: Scotiabank Economics, Statistics Canada.

Chart 2



Bank of Canada to Hike Next Week

- Scotiabank Economics expects the BoC to hike by 25bps next Wednesday
- BoC's Macklem has already pivoted to forward-looking risks...
- ...that fade backward data...
- ...but all smoothed measures of inflation remain warm enough amid upside risks
- BoC surveys, Alberta vote pending

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

Actual: 0.1 / 3.1

Scotia: 0.2 / 3.2

Consensus: 0.2 / 3.2

Prior: -0.1 / 3.0

Core inflation, m/m SAAR, September:

Trimmed mean CPI: 2.2 (prior 2.8 unrevised)

Weighted median CPI: 2.2 (prior 3.3 revised up from 2.7)

CPI ex food and energy: 1.5 (prior 3.1 revised down from 3.9)

Backward looking Canadian CPI for one month was probably doomed to be immaterial before it landed given BoC Governor Macklem's forward-looking warnings. Still, I believe the trend continues to provide the BoC with a warning that it needs to get on with tightening next week. We forecast the Bank of Canada will hike 25bps next week.

Markets seem to get this message. Pricing for next week's meeting was unchanged at about 18bps of a hike post-CPI after reacting to Governor Macklem's weekend comments. Canada 2s shook it off and remain the worst-performing front-end among the majors this morning. CAD barely flinched, depreciating a quarter cent post-data but was also probably influenced by volatile WTI.

Chart 3

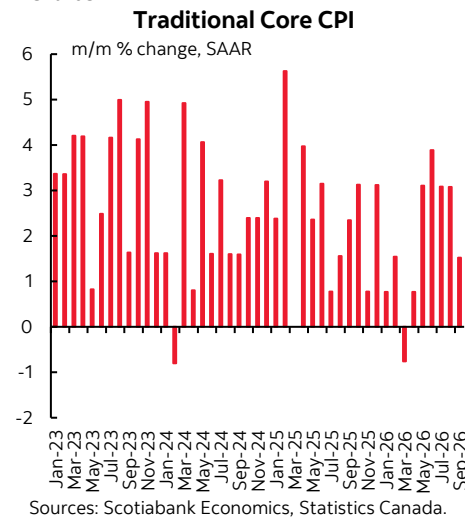
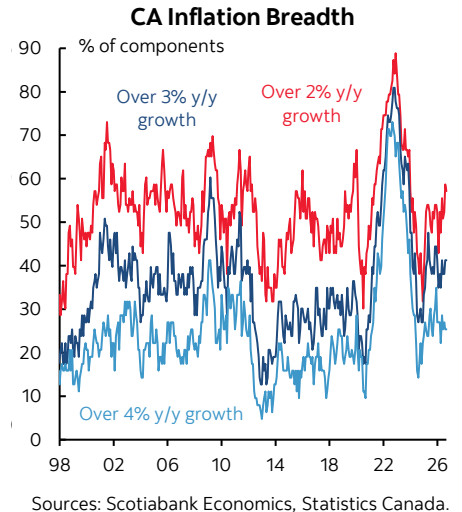


Chart 4



It's not a slam dunk call but there is probably enough supporting evidence for a hike. BoC Governor Macklem sounds like he's fading backward looking data in favour of a higher forward-looking inflation forecast and higher inflation risk. The BoC looks at trends, not spot data anyway. If a hike is significantly priced, then they're likely to deliver one since easing financial conditions by whiffing would be tough to justify. They struck out "appropriate" reference to the policy rate last time presumably as a warning, and the warnings on forward-looking inflation risks have been consistently pointing to raising the forecast and being increasingly concerned about upside risk. They're at the lower bound of neutral and negative in real rate terms, so there is a need to balance the forward-

looking inflation risks especially given long lagging effects of policy rate changes. As noted, the BoC staffers have a serial addiction to missing inflection points on inflation risk and routinely underestimating it as shown in the chart in this morning's note. Governing Council should lean toward an insurance hike at this meeting and with careful guidance on the path forward. That path forward, however, could well include post-midterms escalation of the Iran war and higher energy and other commodity prices and another expansionary Federal budget. Monetary policy needs to sterilize some fiscal and commodity pressures as slack closes. Waiting even longer could put the BoC further behind the evolving upside risks to inflation especially given long and lagging effects of monetary policy adjustments.

Total CPI increased a tick to 3.1% y/y after it climbed by 0.4% m/m SA and 0.1% m/m NSA. That was a tick lower than consensus on both the m/m NSA and y/y rates but positions overall inflation at the top end of the 1–3% target range.

Underlying core measures of inflation ebbed a little in September but there were some upward revisions to consider, and the smoothed trend remains warm enough. Chart 1 shows the figures in m/m SAAR terms so far this year.

Chart 2 shows the smoothed m/m SAAR weighted median and trimmed mean core readings using a three-month moving average. They are trending up, notwithstanding monthly volatility shown charts 3 and 4. There is obvious trend pass through.

Traditional core CPI (ex-food and energy) climbed by 1.5% m/m SAAR which is the weakest reading since April after a string of four consecutive m/m SAAR readings above 3%. The 3-mo moving average is now 2.6% m/m SAAR. The year-over-year rate remained at 2.1%. Here too, there is clear evidence of pass through.

What dragged down traditional core CPI m/m SAAR in September? Folks travelled less than usual after a summertime surge and as the adorable little critters went back to school and folks wrapped up summer vacays. The impact was much bigger than seasonally normal. Prices for overall travel services fell 25% m/m SAAR in September with a 1.58% weight in the basket that knocks 0.4% m/m SAAR off total CPI and 0.5% m/m SAAR off core CPI. Car rental prices were down 38% m/m SAAR. These are such large declines as to inspire caution toward data quality, and yet you don't hold the policy rate because folks travelled less in September. Take out travel stuff and traditional core CPI would have been much warmer and broader.

Weighted median CPI was up by 2.7% m/m SAAR and revised up by over half a point in August for a three-month moving average of 2.7% m/m SAAR. The y/y WM measure is meaningless at 1.9% since it is calculated as a m/m compounded sum that turns too slowly at inflection points which is why we emphasize m/m.

Trimmed mean CPI was up 2.6% m/m SAAR and unrevised, for a three-month moving average of 2.6% m/m SAAR. The y/y rate of 1.8% is also meaningless for the same reason as above.

Breadth is marked by almost 60% of the basket rising by 2% y/y or more (chart 5).

Core goods inflation increased in September (chart 5), while services inflation eased (chart 6) but the trend remains warm especially ex-travel services. Charts 7-15 break down various parts of the basket. Charts 16-19 break down the basket in m/m and y/y terms using weighted contributions and unweighted price changes. Chart 20 shows what was included in trimmed mean this time.

Chart 5
Canadian Core Goods Inflation

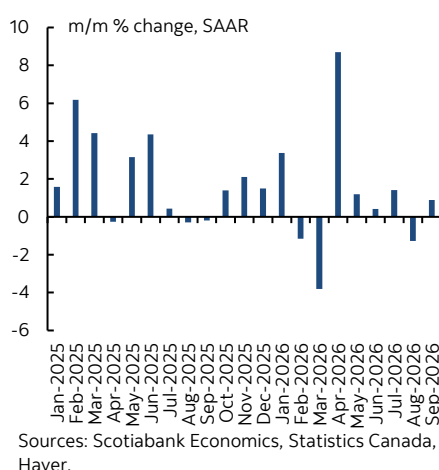


Chart 6
Canadian Services ex Shelter Inflation

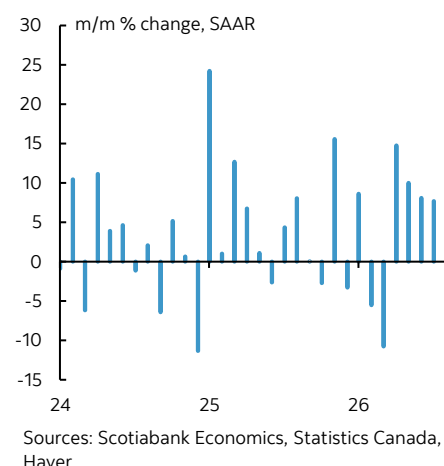
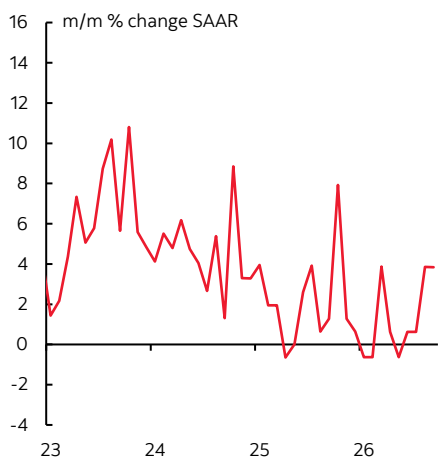
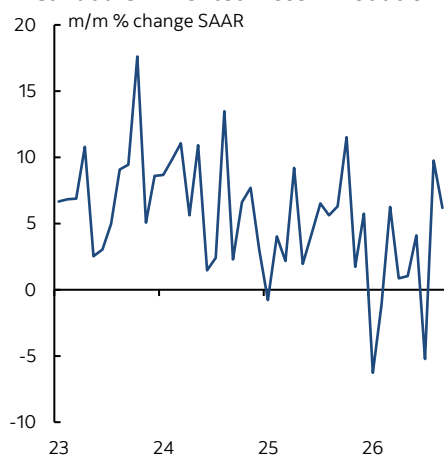
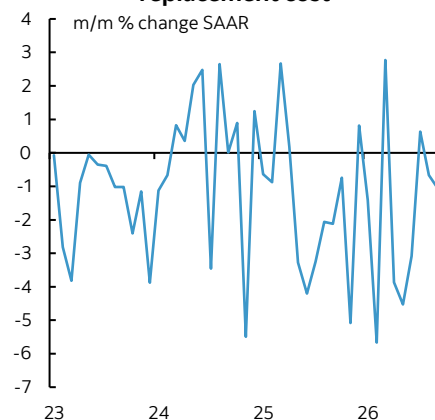


**Chart 7
Shelter Cost in Canada**


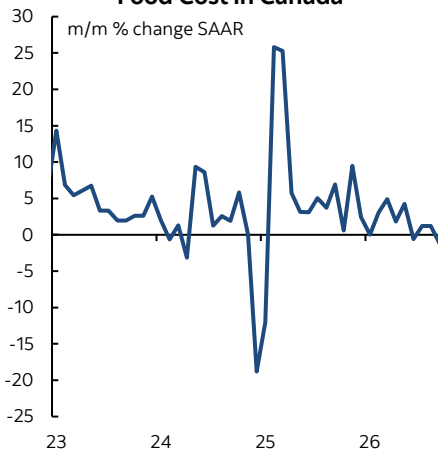
Sources: Scotiabank Economics, Statistics Canada.

**Chart 8
Canada CPI: Rented Accommodation**


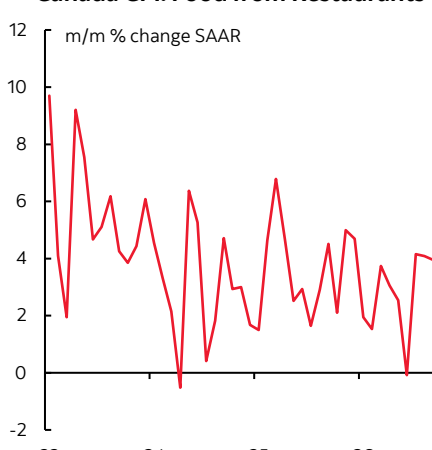
Sources: Scotiabank Economics, Statistics Canada.

**Chart 9
Canada CPI: Homeowners' replacement cost**


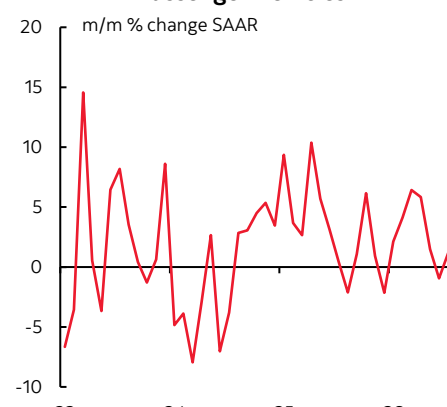
Sources: Scotiabank Economics, Statistics Canada.

**Chart 10
Food Cost in Canada**


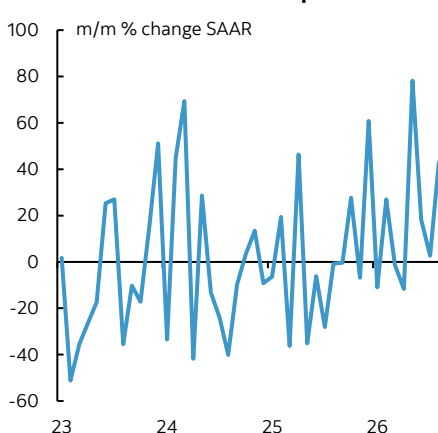
Sources: Scotiabank Economics, Statistics Canada.

**Chart 11
Canada CPI: Food from Restaurants**


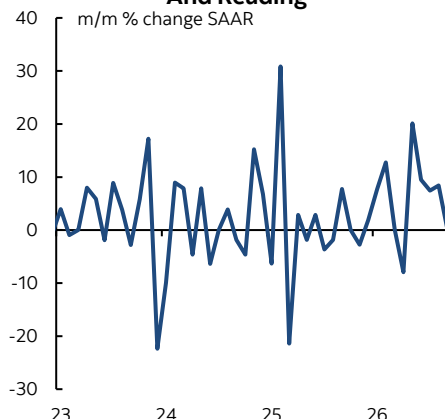
Sources: Scotiabank Economics, Statistics Canada.

**Chart 12
Canada CPI: Purchase of Passenger Vehicles**


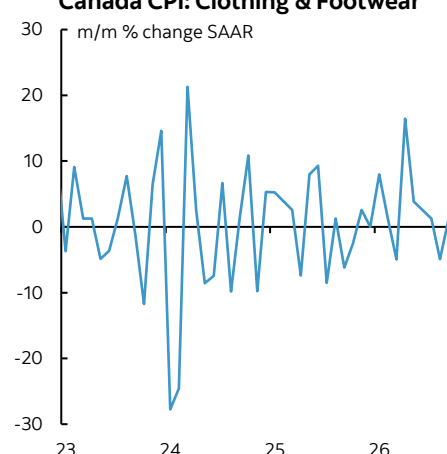
Sources: Scotiabank Economics, Statistics Canada.

**Chart 13
Canada CPI: Air Transportation**


Sources: Scotiabank Economics, Statistics Canada, Haver.

**Chart 14
Canada CPI: Recreation, Educ., And Reading**


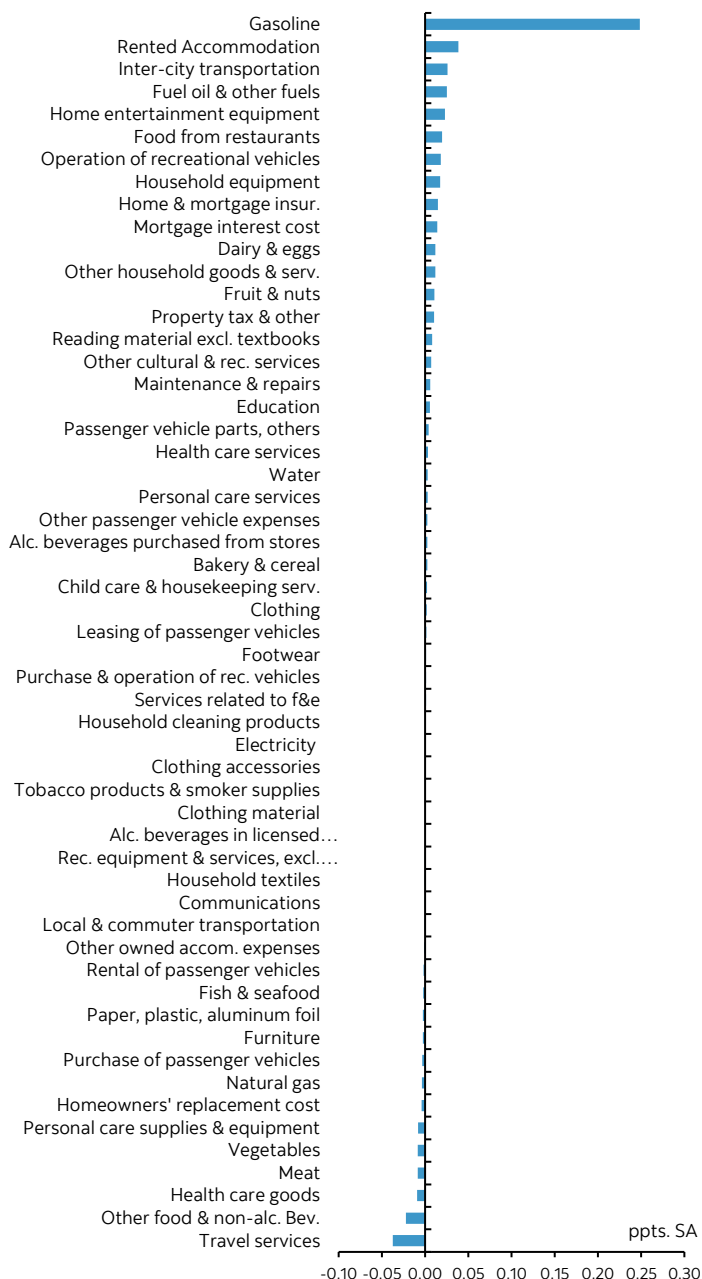
Sources: Scotiabank Economics, Statistics Canada.

**Chart 15
Canada CPI: Clothing & Footwear**


Sources: Scotiabank Economics, Statistics Canada.

Chart 16

September Detailed Category Contributions to Monthly Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada.

Chart 17

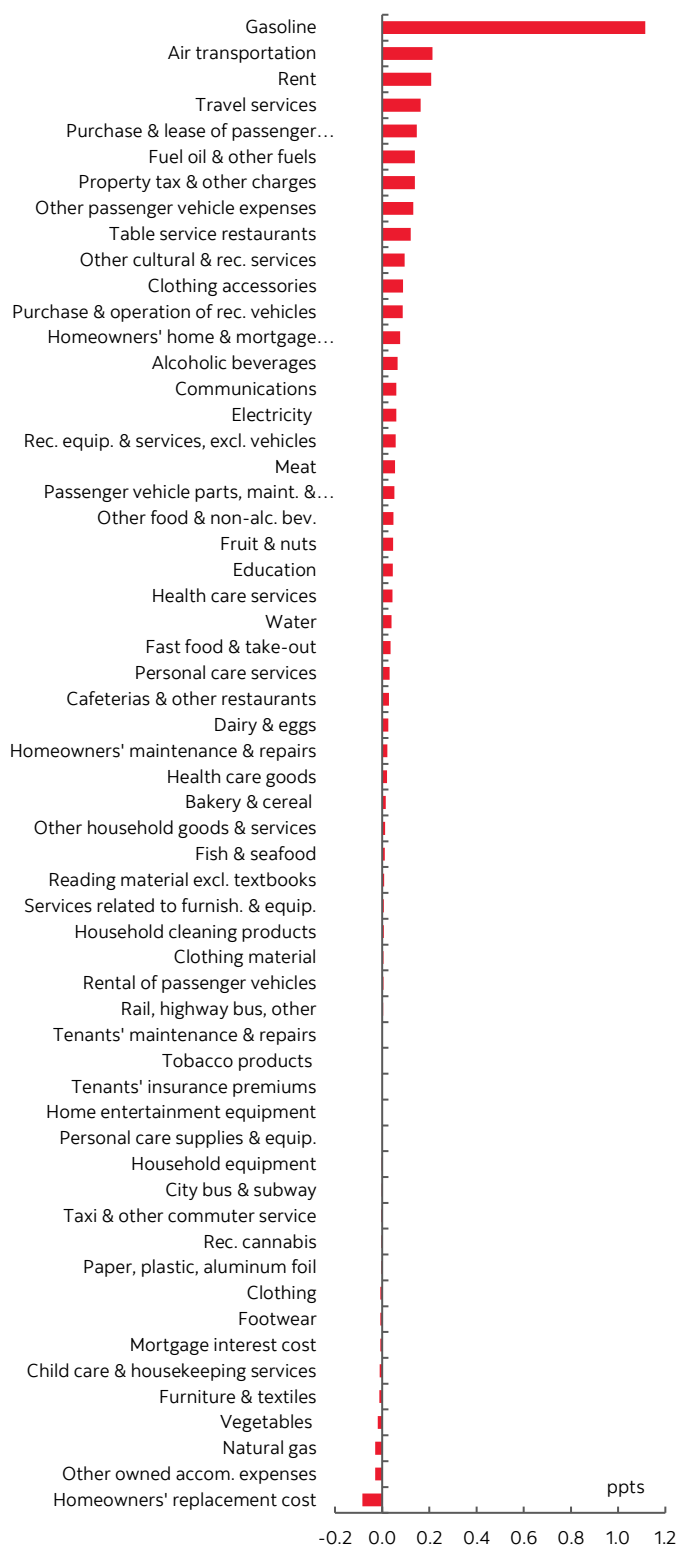
September Detailed Category Monthly Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada.

Chart 18

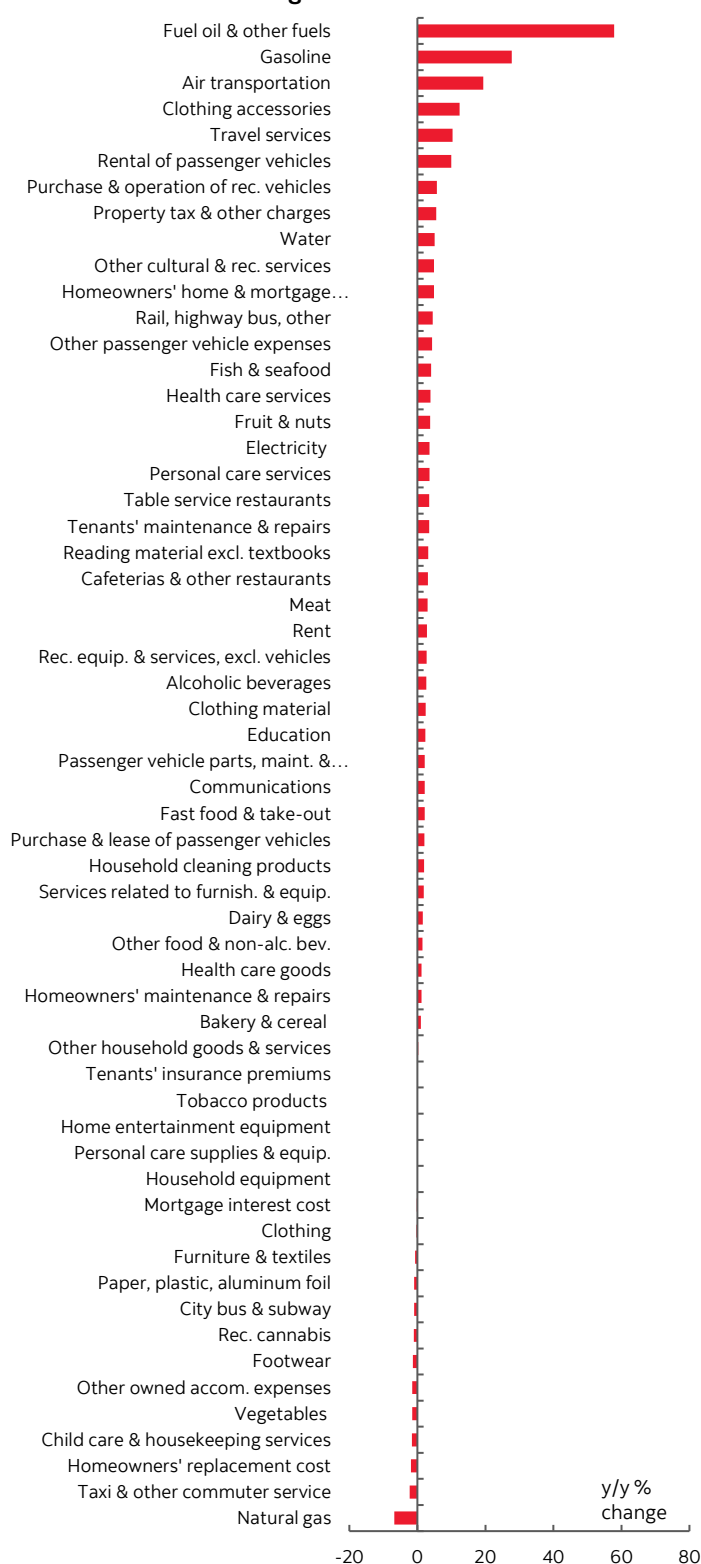
September Detailed Category Contributions to 12-Month Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada.

Chart 19

September Detailed Category 12-Month Change in Canadian CPI



Sources: Scotiabank Economics, Statistics Canada.

Chart 20

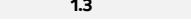
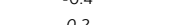
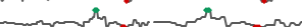
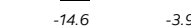
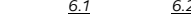
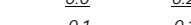
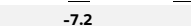
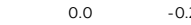
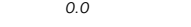
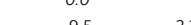
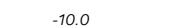
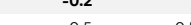
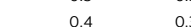
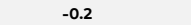
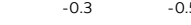
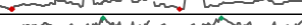
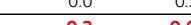
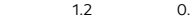
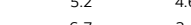
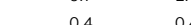
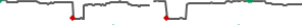
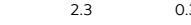
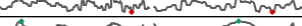
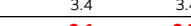
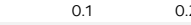
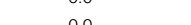
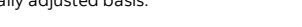
September Single-Month Components Included and Excluded from Bank of Canada Trim Core CPI Measure



October 19, 2026

Sep 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	2.2		-0.3	-0.1	16.93	0.37	-0.05	2.1	1.7	0.0	2.2	1.5	0.0
Food, stores	1.7		-0.7		10.85	0.18	-0.07	1.7	2.4	0.0	2.0	2.0	-0.1
Meat	3.0		-0.7	-0.5	1.79	0.05	-0.01	2.5	3.6	0.2	3.4	3.6	-0.1
Fish & seafood	4.1		-1.8	-0.8	0.26	0.01	0.00	2.9	1.4	0.8	2.8	2.5	0.5
Dairy products & eggs	1.6		0.6	0.7	1.68	0.03	0.01	0.2	1.5	0.9	0.6	1.5	0.6
Bakery & cereal products	1.0		-0.7	0.2	1.44	0.01	-0.01	0.5	2.1	0.2	1.2	2.3	-0.1
Fruit, fruit prep. & nuts	3.8		0.9	0.9	1.22	0.05	0.01	1.8	4.4	0.4	2.0	3.5	0.5
Vegetables & vegetable prep.	-1.5		-2.3	-0.7	1.21	-0.02	-0.03	4.9	6.4	-1.0	3.6	5.8	-0.9
Other food & non-alcoholic beverages	1.5		-1.1	-0.7	3.24	0.05	-0.03	1.0	1.5	0.3	1.3	1.7	0.1
Food purchased from restaurants	3.1		0.2	0.3	6.08	0.19	0.01	3.0	0.7	0.1	2.6	0.7	0.6
Table service restaurants	3.5		0.2		3.46	0.12	0.01	2.9	0.6	1.1	2.6	0.6	1.4
Fast food & take-out	2.1		0.2		1.68	0.04	0.00	3.2	1.2	-0.9	2.6	1.2	-0.4
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	1.8		0.3	0.3	28.30	0.50	0.09	1.8	0.6	-0.1	1.7	0.8	0.0
Rented accommodation	2.7		0.5	0.5	7.66	0.21	0.04	1.3	0.8	1.8	1.3	0.6	2.4
Rent	2.8		0.5		7.45	0.21	0.04	1.3	0.8	1.9	1.3	0.6	2.5
Tenants' insurance premiums	0.2		0.2		0.12	0.00	0.00	1.1	1.6	-0.6	0.3	1.6	-0.1
Tenants' maintenance & repairs	3.5		3.2		0.09	0.00	0.00	2.2	1.0	1.2	2.6	2.2	0.4
Owned accommodation	0.6		0.1		17.52	0.11	0.02	2.3	0.4	-3.9	1.7	0.8	-1.3
Mortgage interest cost	-0.2		0.3	0.3	5.21	-0.01	0.01	2.1	3.6	-0.6	-0.1	3.6	0.0
Homeowners' replacement cost	-1.9		-0.1	-0.1	4.38	-0.08	0.00	1.9	1.7	-2.3	2.1	1.5	-2.7
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	4.9		0.9	1.0	1.56	0.08	0.01	5.2	2.3	-0.2	4.5	2.6	0.1
Homeowners' maintenance & repairs	1.2		0.3	0.3	1.89	0.02	0.01	2.0	1.1	-0.7	2.0	1.4	-0.6
Other owned accommodation expenses	-1.5		-0.4	0.0	2.00	-0.03	-0.01	2.0	1.2	-2.9	2.4	2.0	-2.0
Water, fuel, & elec.	5.7		0.7		3.13	0.18	0.02	0.8	2.1	2.3	2.5	3.4	1.0
Electricity	3.6		0.1	0.0	1.67	0.06	0.00	1.2	4.4	0.6	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	-6.8		-0.8	-0.8	0.44	-0.03	0.00	-1.3	9.0	-0.6	0.4	10.6	-0.7
Fuel oil & other fuels	57.8		10.5	10.5	0.24	0.14	0.03	-0.1	15.5	3.7	5.1	14.2	3.7
Household operations, furniture & equipment	0.4		0.2	0.2	12.80	0.06	0.03	1.2	1.0	-0.7	1.4	0.9	-1.1
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	2.2		0.0	0.0	2.79	0.06	0.00	0.0	2.8	0.8	1.5	2.9	0.2
Child care & housekeeping services	-1.6		0.6	0.4	0.64	-0.01	0.00	3.4	1.4	-3.6	3.3	1.3	-3.7
Household cleaning products	2.0		-0.1	0.2	0.34	0.01	0.00	1.3	1.9	0.4	0.8	1.9	0.6
Paper, plastic, aluminum foil	-0.9		-0.8	-0.6	0.43	0.00	0.00	2.2	2.2	-1.4	2.0	2.0	-1.5
Other household goods & services	0.3		0.5	0.3	4.53	0.01	0.02	1.8	0.5	-3.2	2.4	1.1	-2.0
Household furnishings & equip.	-0.1		0.2		4.08	0.00	0.01	0.8	1.7	-0.5	0.1	1.6	-0.1
Furniture & textiles	-0.7		-0.3		1.64	-0.01	0.00	0.4	2.1	-0.5	-0.3	2.1	-0.2
Household equipment	-0.1		0.6	0.9	1.93	0.00	0.01	0.9	1.7	-0.6	0.0	1.8	-0.1
Services related to furnishings & equipment	1.9		0.0	0.3	0.36	0.01	0.00	2.4	1.8	-0.3	2.7	2.9	-0.3
Clothing & footwear	1.7		0.4	0.1	4.5	0.08	0.02	0.6	1.2	0.9	0.3	1.4	1.0
Clothing	-0.3		0.6	0.1	2.92	-0.01	0.02	0.5	1.6	-0.5	-0.3	2.1	0.0
Footwear	-1.3		0.9	0.2	0.62	-0.01	0.01	0.4	1.2	-1.5	0.1	1.4	-1.0
Clothing accessories	12.4		-0.4		0.71	0.09	0.00	1.0	1.8	6.4	2.3	2.6	3.9
Clothing material	2.4		0.0		0.26	0.01	0.00	2.2	0.7	0.3	2.7	1.2	-0.2

October 19, 2026

Sep 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	8.4			0.3	1.2	18.5	1.56	0.06	1.7	3.1	2.2	2.3	3.0	2.1
Private trans.	8.1			1.3		16.7	1.35	0.21	1.3	3.2	2.1	2.2	3.2	1.9
Purchase, lease, rental of passenger vehicles	2.0			-0.4		7.29	0.15	-0.03	2.3	1.5	-0.2	1.9	1.6	0.1
<u>Purchase & lease of passenger vehicles</u>	<u>2.0</u>			<u>-0.2</u>		<u>7.24</u>	<u>0.15</u>	<u>-0.02</u>	<u>2.3</u>	<u>1.5</u>	<u>-0.2</u>	<u>1.9</u>	<u>1.6</u>	<u>0.1</u>
<u>Rental of passenger vehicles</u>	<u>10.0</u>			<u>-14.6</u>	<u>-3.9</u>	<u>0.05</u>	<u>0.00</u>	<u>-0.01</u>	<u>1.4</u>	<u>5.2</u>	<u>1.7</u>	<u>1.2</u>	<u>4.1</u>	<u>2.1</u>
Operation of passenger vehicles	12.9			2.6		9.44	1.22	0.24	0.7	5.7	2.2	2.4	5.4	1.9
<u>Gasoline</u>	<u>27.8</u>			<u>6.1</u>	<u>6.2</u>	<u>4.01</u>	<u>1.11</u>	<u>0.24</u>	<u>-0.6</u>	<u>13.5</u>	<u>2.1</u>	<u>3.0</u>	<u>12.2</u>	<u>2.0</u>
<u>Passenger vehicle parts, maintenance & repairs</u>	<u>2.2</u>			<u>0.0</u>	<u>0.2</u>	<u>2.39</u>	<u>0.05</u>	<u>0.00</u>	<u>1.9</u>	<u>0.3</u>	<u>0.7</u>	<u>1.6</u>	<u>0.8</u>	<u>0.7</u>
<u>Other passenger vehicle expenses</u>	<u>4.3</u>			<u>0.1</u>	<u>0.1</u>	<u>3.04</u>	<u>0.13</u>	<u>0.00</u>	<u>2.4</u>	<u>2.2</u>	<u>0.9</u>	<u>2.6</u>	<u>2.0</u>	<u>0.9</u>
Public trans.	12.0			-7.2		1.81	0.22	-0.13	4.8	3.9	1.9	3.4	3.7	2.3
Local & commuter transportation	-1.3			0.0	-0.2	0.47	-0.01	0.00	1.5	0.5	-5.8	2.2	1.2	-3.1
<u>City bus & subway</u>	<u>-1.0</u>			<u>0.0</u>		<u>0.30</u>	<u>0.00</u>	<u>0.00</u>	<u>2.1</u>	<u>0.7</u>	<u>-4.1</u>	<u>2.8</u>	<u>1.4</u>	<u>-2.6</u>
<u>Taxi & other commuter service</u>	<u>-2.3</u>			<u>0.0</u>		<u>0.17</u>	<u>0.00</u>	<u>0.00</u>	<u>0.1</u>	<u>0.8</u>	<u>-3.0</u>	<u>0.9</u>	<u>1.2</u>	<u>-2.6</u>
Inter-city transportation	18.0			-9.5	2.2	1.19	0.21	-0.11	6.2	5.7	2.1	3.9	5.8	2.4
<u>Air transportation</u>	<u>19.4</u>			<u>-10.0</u>		<u>1.10</u>	<u>0.21</u>	<u>-0.11</u>	<u>6.5</u>	<u>6.2</u>	<u>2.1</u>	<u>4.0</u>	<u>6.4</u>	<u>2.4</u>
<u>Rail, highway bus, other</u>	<u>4.6</u>			<u>-2.4</u>		<u>0.09</u>	<u>0.00</u>	<u>0.00</u>	<u>2.7</u>	<u>1.8</u>	<u>1.0</u>	<u>2.0</u>	<u>4.2</u>	<u>0.6</u>
Health & personal care	1.7			-0.2	-0.2	5.40	0.1	-0.01	1.4	0.4	0.9	1.3	0.9	0.5
Health care	2.3			-0.2		2.83	0.1	-0.01	1.3	0.6	1.7	1.1	0.8	1.5
Health care goods	1.2			-0.5	-0.5	1.72	0.0	-0.01	0.5	0.7	1.0	-0.1	1.1	1.2
Health care services	3.9			0.4	0.3	1.11	0.0	0.00	2.5	0.6	2.5	2.9	0.8	1.3
Personal Care	1.2			-0.2		2.56	0.0	0.00	1.5	0.5	-0.5	1.5	1.2	-0.2
Personal care supplies & equipment	-0.1			-0.3	-0.5	1.68	0.0	-0.01	0.4	0.9	-0.5	0.5	1.6	-0.4
Personal care services	3.6			0.0	0.3	0.88	0.0	0.00	2.9	0.7	1.0	2.7	1.4	0.6
Recreation, education & reading	4.6			-0.2	0.0	9.81	0.5	-0.02	1.7	0.8	3.8	1.3	0.9	4.0
Recreation	5.3			-0.8		7.68	0.41	-0.06	1.4	1.0	3.8	0.6	1.2	3.8
Recreational equipment & services, excl. vehicles	2.7			0.4	0.0	2.15	0.1	0.01	-0.8	1.6	2.3	-2.2	2.0	2.4
Purchase & operation of recreational vehicles	5.8			1.2	0.1	1.51	0.1	0.02	2.6	1.8	1.7	1.9	2.0	2.0
Home entertainment equipment	0.0			5.2	4.6	0.49	0.0	0.03	-3.8	2.0	1.9	-4.9	2.2	2.2
Travel services	10.4			-6.7	-2.4	1.58	0.2	-0.11	0.8	2.9	3.2	0.4	2.8	3.5
Other cultural & rec. services	4.9			0.4	0.4	1.95	0.1	0.01	3.5	1.1	1.3	3.4	1.4	1.1
Educ. & reading	2.5			2.4		2.12	0.05	0.05	2.5	1.4	-0.1	3.0	1.1	-0.5
Education	2.4			2.3	0.3	1.88	0.0	0.04	2.4	1.4	0.0	3.0	1.2	-0.5
Reading material excl. textbooks	3.2			3.4	3.4	0.24	0.0	0.01	3.8	2.8	-0.2	3.2	2.9	0.0
Alcoholic beverages, tobacco & rec. cannabis	1.6			0.1	0.2	3.73	0.1	0.00	3.2	1.2	-1.3	2.7	1.3	-0.8
Alcoholic beverages	2.6			0.1		2.49	0.06	0.00	1.7	0.5	1.7	1.4	0.7	1.7
Alc. beverages served in licensed establishments	3.0			0.0	0.0	0.78	0.0	0.00	1.8	0.6	2.0	2.0	0.7	1.5
Alc. beverages purchased from stores	2.5			0.1	0.2	1.71	0.0	0.00	1.7	0.7	1.2	1.1	1.1	1.3
Tobacco products	0.0			0.0		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	-1.6
Other tobacco products & supplies	-1.1			0.0		0.12	0.0	0.00	5.6	2.0	-3.3	4.9	2.6	-2.3
Rec. cannabis	-1.0			0.4		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.

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