



Headline inflation declines in June

Inflation hawks are likely to settle down after June's Consumer Price Index (CPI) numbers came in slightly below consensus at 3.1 per cent year-over-year, compared to a consensus 3.2 per cent, and down from 3.6 per cent in May. Reweighting of the CPI for pandemic weights had a negligible impact on headline CPI.

CPI inflation softening reflected fading of base year effects from early pandemic price declines, while the pace of monthly price growth decelerated to the lowest pace since March at 0.1 per cent. Key contributors to the slowdown include gasoline prices which rose 32 per cent year-over-year, compared to 43 per cent in May. Gas prices rebounded in June 2020 easing base year effects. Shelter costs continued to put upward pressure on prices with a 4.4 per cent year-over-year increase, as replacement costs and insurance accelerated. In contrast clothing and footwear prices eased from May and came in at 1.1 per cent year-over-year. Excluding food and gasoline, prices were up 2.2 per cent year-over-year.

Core measures of inflation were mixed with two of the three Bank of Canada measures up from May with an average of the three measures remained steady at 2.2. The Bank's preferred measure of CPI-Common came in steady at 1.7 per cent and lower than May.

The latest inflation numbers point to greater stability in prices after a recent run up. However, the re-opening phase could put further upside pressure on prices as businesses re-price their services after holding back over the past year, and tourism services jump. Supply chain disruptions may also fuel higher inflation pressures as well, although concerns of the Delta variant is a negative risk.

Bryan Yu

Chief Economist

byu@central1.com / P 604.742.5346

Mobile: 604.649.7209