



### Gasoline props up CPI inflation in October

In a relatively tame report, Canadian CPI inflation held level in October at 6.9 per cent which was identical to September. However, this is unlikely to provide much comfort to the Bank of Canada as monthly price growth accelerated to 0.7 per cent (0.6 per cent seasonally- adjusted) and (some) core inflation measures tilted higher.

While headline inflation was unchanged, drivers shifted. Specifically, September gasoline price declines reversed course with a 9.2 per cent monthly increase, lifting 12-month growth to 17.7 per cent from 13.2 per cent in September. Shelter cost inflation nudged higher to 6.9 per cent year-over-year as mortgage interest costs jumped 11.4 per cent to offset more moderate patterns in the rental market and home prices.

In minor relief, food prices were flat compared to September albeit still 10 per cent higher than a year ago led by store-bought food. Among other notable changes, furniture prices edged down from September and to a 12-month pace of 11.6 per cent, while household equipment price also fell. Growth in vehicle prices decelerated, while clothing prices rose to bring levels in line with a year ago. Hotel rates fell from September in normal seasonal patterns but remained 26 per cent higher than a year ago as tourism and business travel continued to recover.

Broadly, goods prices accelerated from an 8.2 per cent year-over-year pace in September to 8.4 per cent in October, driven by energy products, while services prices edged lower to 5.4 per cent. Excluding food and energy – a widely used measure of core inflation in other countries – prices decelerated to 5.3 per cent from 5.4 per cent. That said, of the Bank of Canada's three preferred core measures, two accelerated during the month and the average crept up to 5.4 per cent.

Provincially, inflation levels were mixed and wide ranging. The strongest 12- month increases were in PEI (8.7 per cent), Manitoba (8.4 per cent) and Saskatchewan (8.0 per cent). The slowest gains were observed in Quebec, Ontario, and Newfoundland and Labrador near 6.5 per cent.

The key takeaway from October's report is that inflation remains stubbornly high. That said, with much of the growth being driven by gasoline prices there are signs that broader inflation may be moderating. Nevertheless, levels remain too high, and we anticipate the Bank of Canada will follow through on at least one more rate hike in coming months, which we peg at 50 basis points in December.

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