



### Canadian inflation on the move.... up

We were warned. A return to a normal pace of inflation was never going to be easy and as today's inflation print highlighted, the path uneven. Headline consumer price index (CPI) inflation surprised on the upside in April to 4.4 per cent, year-over-year, compared to 4.3 per cent in March. This was the first increase in headline print since October. Moreover, month-to-month prices surged 0.7 per cent, with seasonally-adjusted growth at 0.6 per cent. The latter was the strongest since June 2022.

Stronger inflation largely owed to higher monthly gasoline prices which jumped 6.3 per cent from March and narrowed year-over-year declines from 13.8 per cent in March 7.8 per cent in April. Higher prices at the pump reflected geo-political factors impacting oil such as OPEC production cuts as well as carbon taxation. Food prices continued to rise by 0.4 per cent month-to-month but detracted from year-over-year gains at a still robust 8.3 per cent compared to 8.9 per cent in March. Consumers are particularly facing the pressure in the grocery aisle including huge increases in baked and cereal products (13 per cent), fruit (8.3 per cent), vegetables (8.8 per cent) as lowlights. Store-bought foods were up 9.1 per cent, year-over-year, compared to 9.7 per cent in March. Restaurants meals are up 6.4 per cent, despite decelerating from March.

While households are naturally fixated on the essentials in their spending, price growth was broadly robust. Excluding food and energy, the CPI rose 4.4 per cent year-over-year, albeit down slightly from 4.5 per cent in April. That said, the trend remained firmed above 0.3 per cent month-to-month. Vehicle prices accelerated. Meanwhile, growth in shelter costs stayed high at 4.9 per cent, year-over-year, albeit down from 5.3 per cent in March. Rents accelerated to 6.1 per cent from 5.3 per cent, reflecting the tight housing market. Owned accommodation costs decelerated to 5.1 per cent from 5.7 per cent. Soaring mortgage interest costs, reflecting renewals, rose 28.5 per cent from a year ago, which has more than offset declines in replacement costs from lower home prices over the past year. As we saw yesterday though, home prices are turning higher and could factor into rising shelter costs going forward.

Goods prices accelerated to a year-over-year 4.1 per cent, compared to 3.6 per cent in March. Services slowed but at 4.8 per cent is still driving elevated inflation. The latter is tied to wage growth which has remained robust at 5.2 per cent and feeding into inflationary pressure.

Core measures tracked by the Bank of Canada showed cooling year-over-year patterns but strong monthly moment. While year-over-year measures eased, levels remained high. The core-common came in at 5.7 per cent year-over-year, while the trim- and median- measures slipped to 4.2 per cent. However, annualized growth in both trim (4.9 per cent) and median (4.8 per cent) measures accelerated sharply.

April's stronger CPI reading underscores the challenges of getting to three let alone two per cent inflation given the still resilient economy and labour markets. Inflation remains too high, and April's acceleration is further evidence for the Bank of Canada to sit on the sidelines rather than even entertain the idea of a short-term cut. If anything given rebounding housing market activity and prices, which likely feed through housing replacement costs, there remains a risk for a future hike.

## Canada Consumer Price Index

Period	2023M02	2023M03	2023M04
<i>All-Items</i>			
Actual y/y %ch.	5.2	4.3	4.4
Actual, m/m %	0.4	0.5	0.7
Seas. adj., m/m %	0.1	0.3	0.6
<i>CPI by Select Product Group, y/y % ch.</i>			
Exc. food and energy	4.8	4.5	4.4
Goods	5.3	3.6	4.0
Services	5.3	5.1	4.8
Food	9.7	8.9	8.3
Shelter	6.1	5.4	4.9
Gasoline	-4.7	-13.8	-7.7
<i>Bank of Canada Core Measures, y/y % ch</i>			
Common	6.3	6.0	5.7
Trim	4.8	4.4	4.2
Median	4.8	4.5	4.2
<i>3-mth trend, seasonally-adjusted (ann.)</i>			
All-Items	1.6	2.6	3.9
Exc. food and energy	3.4	3.4	4.2

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