



## Taming of inflation continues through April

Canadian price growth slowed to the lowest level in more than two years in April, suggesting Canada's struggle with inflation is near complete. Year-over-year growth in the consumer price index slipped below 2.7 per cent in April, down from 2.9 per cent the prior month, marking the slowest pace since March 2021. On a monthly basis, prices rose 0.5 per cent, but adjusting for seasonal factors, slowed from 0.3 per cent to 0.2 per cent.

The patterns were mostly constructive. The traditional core measure of inflation, which excludes food and energy, rose in line with headline. Food prices rose a modest 2.3 per cent from a year ago, which was down from 3.0 per cent, while gasoline prices slowed from 7.9 per cent to 6.1 per cent. The sharp drop in food prices reflected an outright monthly decline as well as base effects from a spike in meat prices last April. Fruit prices fell 4.5 per cent from a year ago. Store-bought foods slowed to 1.4 per cent y/y, while restaurant meals were up 4.3 per cent (albeit slowing from March).

Among other goods, clothing and footwear fell 2.6 per cent from a year ago. Vehicle prices were well behaved, with used car prices down 2.2 per cent and new car values up 1.4 per cent. Furniture prices were down 1.8 per cent and appliances fell 2.5 per cent. Aside from gasoline, consumers are enjoying a period of steady prices with levels up only 0.2 per cent once adjusted for food and energy.

Service prices remained much higher at 4.2 per cent y/y, compared to 4.5 per cent in March but driven shelter costs were up 6.4 per cent which slowed a touch. Rent remained very robust at 8.2 per cent driven by strong immigration and low rental inventory, while homeownership costs (6.6 per cent) reflect the 24 per cent increase in mortgage interest costs due to the higher rate environment.

April inflation patterns should be seen as constructive for a Bank of Canada rate cut as soon as the June meeting. Headline inflation starts in the quarter below the Bank's Q2 forecast of 2.9 per cent and its preferred measures of core inflation were all below three per cent in April. The core-common and median measures came in at 2.6 per cent, with the trim at 2.9 per cent. Meanwhile, CPI excluding shelter sank to 1.2 per cent. The one measure of mild concern was a rise in the 3-month average growth in trend at 2.3 per cent but was partly an effect of price declines in January. Nevertheless, tame inflation, slack in the labour market, and downsides risks to the economy from a mortgage renewal wave should provide enough evidence to cut, albeit limited by a more tempered pace of cuts south of the border.

Canada Consumer Price Index			
Period	2024M02	2024M03	2024M04
<i>All-Items</i>			
Actual y/y %ch.	2.8	2.9	2.7
Actual, m/m %	0.3	0.6	0.5
Seas. adj., m/m %	0.1	0.3	0.2
<i>CPI by Select Product Group, y/y % ch.</i>			
Exc. food and energy	2.8	2.9	2.7
Goods	1.2	1.1	1.0
Services	4.2	4.5	4.2
Food	3.3	3.0	2.3
Shelter	6.5	6.5	6.4
Gasoline	0.8	4.5	6.1
<i>Bank of Canada Core Measures, y/y % ch</i>			
Common	3.1	2.9	2.6
Trim	3.2	3.2	2.9
Median	3.1	2.9	2.6
<i>3-mth trend, seasonally-adjusted (ann.)</i>			
All-Items	1.3	1.0	2.3
Exc. food and energy	1.6	1.6	1.9

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