



June CPI inflation decline sets stage for Bank cut

Canadian headline inflation fell back again in June to reverse May's increase, setting the stage for a potential Bank of Canada rate cut on July 24. Year-over-year fell to 2.7 per cent from 2.9 per cent in May and returned to April's pace. Inflation has been uneven but has held below three per cent since January. Prices fell 0.1 per cent on a m/m basis, with seasonally- adjusted prices decelerating from a 0.2 per cent increase in May to 0.1 per cent in June.

Headline inflation growth was pulled lower by gasoline prices which fell 3.1 per cent during the month, pulling y/y growth down to 0.4 per cent from 5.6 per cent in May. Lower underlying oil prices and curbing of future OPEC production cuts underpinned this decline. A reversal in travel tour price increases after a surge in May was also a dampener, albeit still well higher than a year ago. Food prices accelerated from a y/y 2.4 per cent to 2.8 per cent as meat prices and meat, dairy and vegetables prices increased more quickly, while fruit prices fell. Restaurant prices were steady but elevated at 4.3 per cent y/y. Excluding food and gasoline, price growth was a touch higher at 2.9 per cent, but consistent with May growth still moderate.

More broadly, goods prices decelerated sharply to a y/y gain of 0.3 per cent from 1.0 per cent due to gasoline prices but also outright y/y declines in segments like furniture (-3.9 per cent and clothing (-3.1 per cent) as the housing market remains weak. This was partly offset by an acceleration in service prices, which rose to 4.8 per cent from 4.6 per cent. There were not notable acceleration among key services, albeit health care services up 3.3 per cent, and travel tour prices elevated. Not surprisingly, and consistent with the past year, a key driver of services and general price growth has been shelter costs which have been lifted by elevated interest rates and imbalances in the housing market amidst record population growth. Shelter remained a primary driver of inflation at 6.2 per cent y/y, but decelerated from May, including steady growth of 8.8 per cent for rent, 22.3 per cent for mortgage interest, and a slip in homeowners replacement costs. To highlight the impact of shelter costs, excluding them yields growth of only 1.3 per cent y/y.

Bank of Canada core measures also eased or held steady and remained within the 1-3 per cent target band. The common- and core- measures fell 0.1 per cent to 2.3 and 2.6 per cent, while the trim-measure was unchanged at 2.9 per cent. Seasonally- adjusted median- and trim- measures rose 0.2 per cent m/m, with a 3-month annualized trend of 2.9 per cent.

June's inflation remained constructive for a rate cut later this month, particularly given the downbeat Business Outlook Survey released this week and ongoing slack in the labour market. Headline and core inflation have declined and are holding within the Bank's target range, and as noted much of the inflation observed is driven by shelter costs which is largely outside the Bank's monetary policy control. With an economic slowdown in play due to risks from the mortgage renewal wave, declining per capita GDP, and unemployment rates expected to go higher, it is appropriate to cut given past hikes are still flowing through the economy. Wage growth remains an upside risk for inflation as it flows through service prices, but slack in the labour market should tame increases over time.

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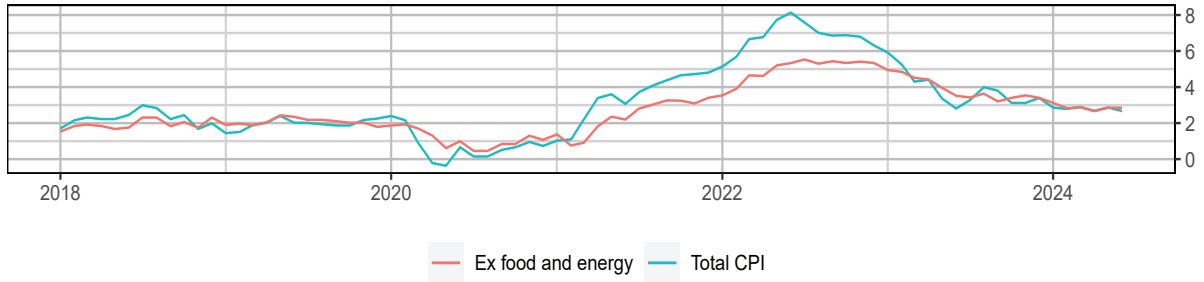
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Jun/2024						
Canada Consumer Price Index						
Indicator	m/m ch.	prior m/m ch	y/y ch.	prior y/y ch.	3m ann % ch.	prior 3m ann % ch.
All-items, actual	-0.1	0.6	2.7	2.9		
All-items, s.a.	0.1	0.2	2.7	2.8	2.0	2.8
Ex food and energy	0.0	0.6	2.9	2.9		
Ex food and energy, s.a.	0.2	0.3	2.9	2.8	3.0	3.0
Select Products and Services						
Goods	-0.5	0.1	0.3	1.0		
Services	0.2	1.0	4.8	4.6		
Food	0.5	0.9	2.8	2.4		
Gasoline	-3.1	-1.3	0.4	5.6		
Shelter	0.3	0.4	6.2	6.4		
Rent	0.1	0.9	8.8	8.9		
Mortgage Interest	0.8	0.8	22.3	23.3		
Homeowners Replacement	0.2	0.1	-0.5	-0.8		
CPI Ex Shelter	-0.3	0.7	1.3	1.5		
Bank of Canada Core Measures						
Core Common			2.3	2.4		
Core Median			2.6	2.7		
Core Trim			2.9	2.9		
Core Median, s.a.	0.2	0.3	2.6	2.7	2.9	2.3
Core Trim, s.a.	0.2	0.3	2.9	2.9	2.9	2.7

Inflation Indicators

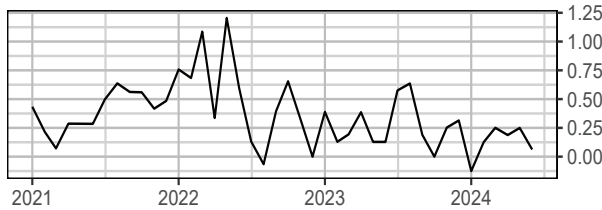
CPI Inflation, y/y % change

Last data point: 2024-06-01



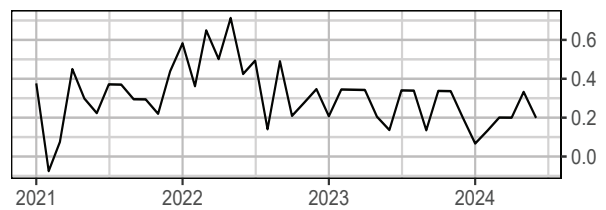
CPI sa, m/m % ch

Last data point: 2024-06-01



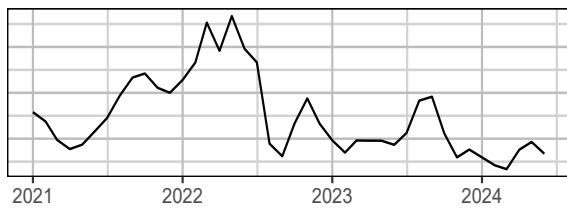
CPI ex food/energy sa, m/m % ch

Last data point: 2024-06-01



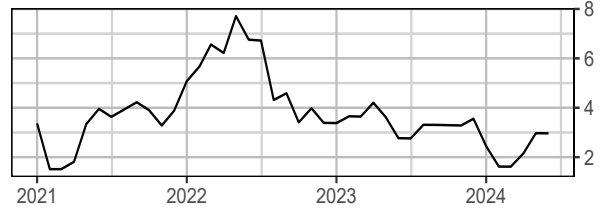
CPI sa, 3m ann. % ch

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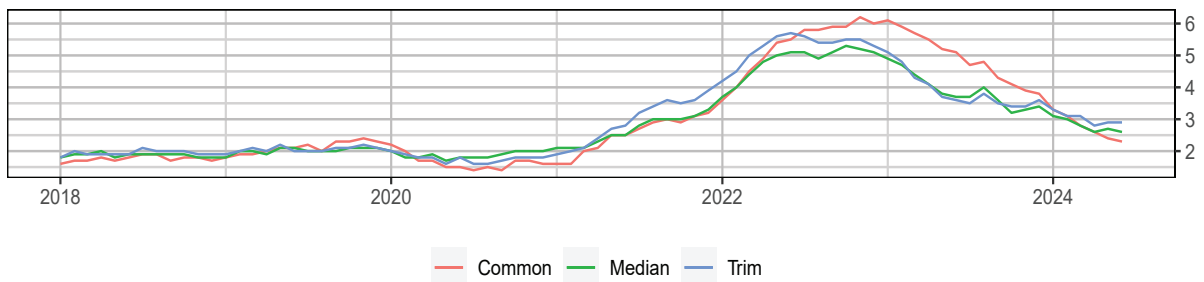
CPI ex food/energy sa, 3m ann. % ch

Last data point: 2024-06-01



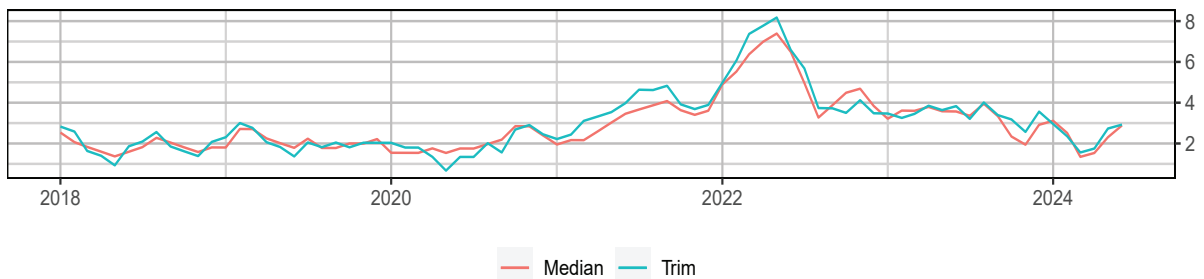
Bank of Canada Core Inflation, y/y % change

Last data point: 2024-06-01



Bank of Canada Core Inflation, 3m ann % change

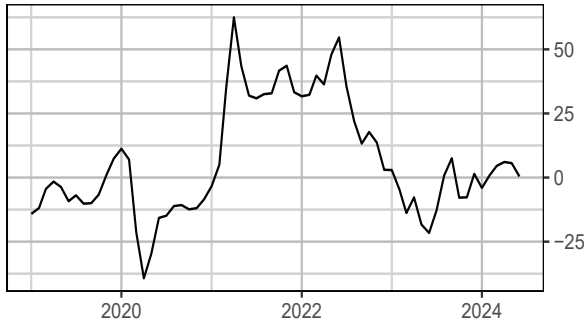
Last data point: 2024-06-01



Inflation Trends by Segment

Gasoline, y/y % ch

Last data point: 2024-06-01



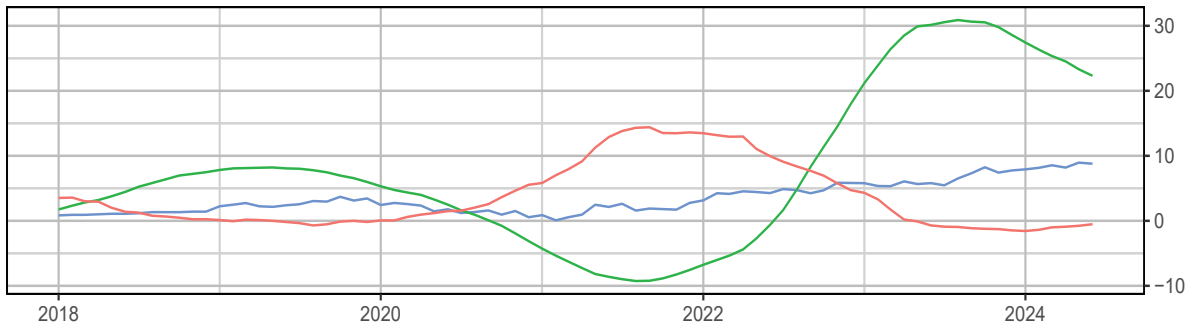
Food, y/y % ch

Last data point: 2024-06-01



Shelter Inflation by Key component, y/y % change

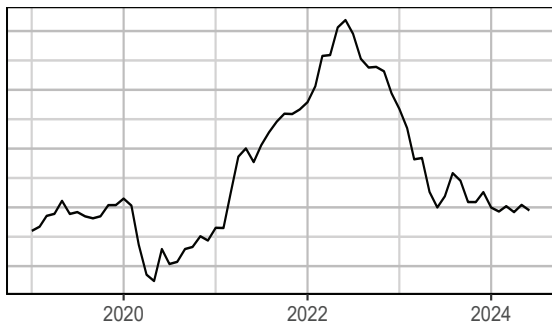
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— Homeowner Replacement — Mortgage Interest — Rent

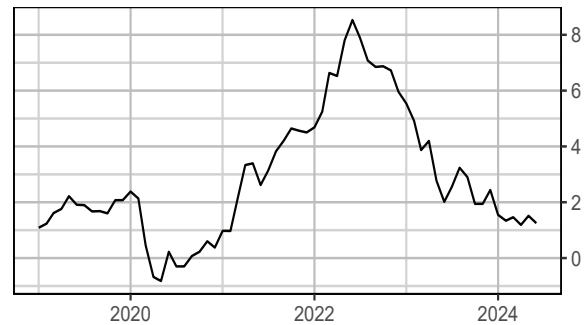
CPI ex mortgage, y/y % ch

Last data point: 2024-06-01



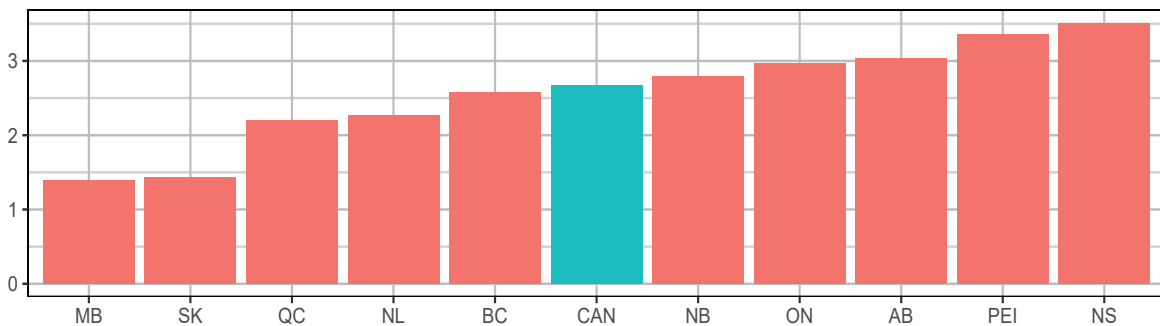
CPI ex shelter, y/y % ch

Last data point: 2024-06-01



CPI Inflation by Province, y/y %

Last data point: 2024-06-01



Statistics Canada, Central 1