



Inflation cools again, Bank of Canada set for three in row

Canadian inflation cooled again in July with year-over-year headline growth down to 2.5 per cent from 2.7 per cent in June to match consensus and mark the slowest pace since March 2021. Inflation eased even as monthly price momentum firmed with prices higher on a monthly basis by 0.4 per cent, with seasonally- adjusted prices up 0.3 per cent, while the three-month trend rose to an annualized 2.8 per cent. Nevertheless, ongoing moderation in year-over-year growth and core inflation green lights another Bank of Canada rate cut on September 4 as normalizing inflation dovetails with slack in the economy.

Broadly, inflation patterns were constructive even as inflation was lifted by an acceleration in gasoline prices. Statistics Canada reported a drop in travel tour prices (-2.8 per cent) which had been a substantial driver of inflation in recent months, as well as declines in other travel related costs. Meanwhile, vehicle prices fell 1.4 per cent. Food prices rose from June, but y/y growth nudged down to 2.7 per cent. Excluding food and energy, the classic core measure of inflation fell to 2.7 per cent from 2.9 per cent.

There remains a gap between goods and service prices. There is no inflation pressure in the former with price levels up 0.3 per cent from a year ago even with higher growth in food and gas prices. Deflation persists in other goods, reflecting the normalized supply chains (at least for now in advance of a potential rail strike), and soft discretionary spending. Aside from vehicle prices, clothing and footwear prices fell 2.7 per cent, while furniture prices fell 1.5 per cent, and appliances were down 1.0 per cent.

In contrast, service price inflation was still elevated at 4.4 per cent, compared to 4.8 per cent in June. Still elevated wage growth is passing through prices with health care (3.3 per cent) and personal care (5.0 per cent) still seeing hefty price increases. That said, much of the increase remains driven by shelter. Shelter prices decelerated from 6.2 per cent to a still robust 5.7 per cent, but recent interest rate cuts and lower home values are whittling this number down. Excluding shelter costs, which reflect elevated interest rates and demand for rental accommodation, inflation sits at a miniscule 1.2 per cent pointing to little underlying inflation.

Bank of Canada core measures of inflation all decelerated and held below 3.0 per cent. The common-measure slipped to 2.2 per cent, with the median- and trim- at 2.4 and 2.7 per cent. Three-month momentum in the median- and trim- also fell to 2.7 per cent as growth came at a mild 0.1 m/m

The latest inflation aligns with our forecast of normalizing inflation, although a touch slower than anticipated. Nevertheless, constructive trends in July points to a natural hat trick with third straight Bank of Canada cut as employment data will not be out until September 9th. That said, it is unlikely we will see any super-sized moves. We expect the policy rate to end the year at 3.75 per cent.

Bryan Yu

Chief Economist

Central 1 Credit Union

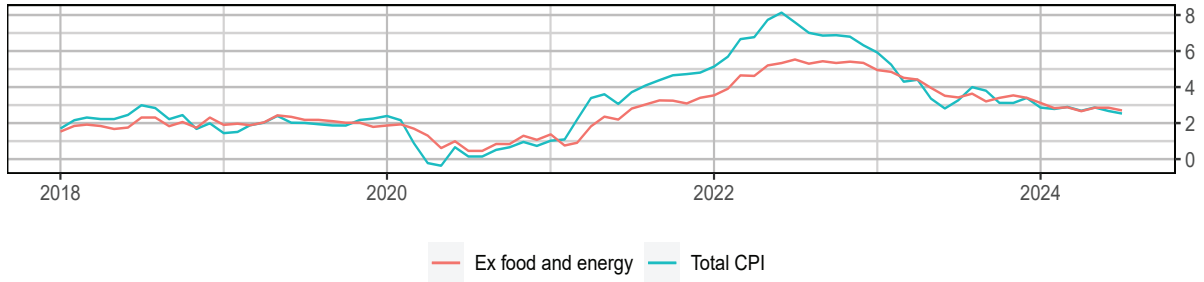
byu@central1.com

Jul/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	0.4	-0.1	2.5	2.7		
All-items, s.a.	0.3	0.1	2.5	2.8	2.8	2.3
Ex food and energy	0.4	0.0	2.7	2.9		
Ex food and energy, s.a.	0.2	0.2	2.7	2.9	3.0	3.0
Select Products and Services						
Goods	0.2	-0.5	0.3	0.3		
Services	0.7	0.2	4.4	4.8		
Food	0.3	0.5	2.7	2.8		
Gasoline	2.4	-3.1	1.9	0.4		
Shelter	0.2	0.3	5.7	6.2		
Rent	0.2	0.1	8.5	8.8		
Mortgage Interest	0.9	0.8	21.0	22.3		
Homeowners Replace- ment	-0.3	0.2	-0.8	-0.5		
CPI Ex Shelter	0.6	-0.3	1.2	1.3		
Bank of Canada Core Measures						
Core Common			2.2	2.3		
Core Median			2.4	2.6		
Core Trim			2.7	2.8		
Core Median, s.a.	0.1	0.3	2.4	2.6	2.7	2.9
Core Trim, s.a.	0.1	0.2	2.7	2.8	2.7	2.9

Inflation Indicators

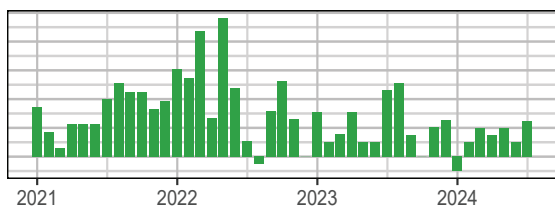
CPI Inflation, y/y % change

Last data point: 2024-07-01



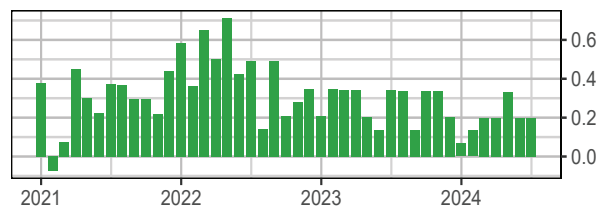
CPI sa, m/m % ch

Last data point: 2024-07-01



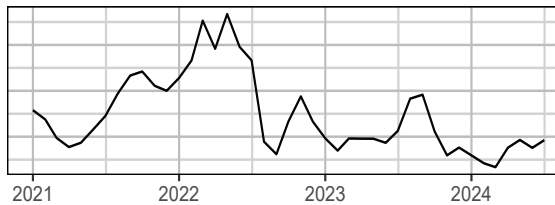
CPI ex food/energy sa, m/m % ch

Last data point: 2024-07-01



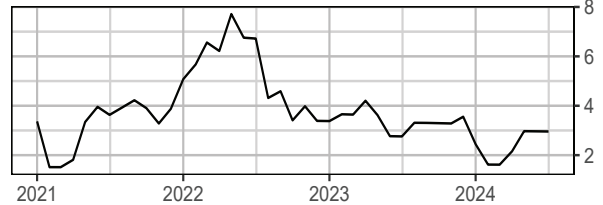
CPI sa, 3m ann. % ch

Last data point: 2024-07-01



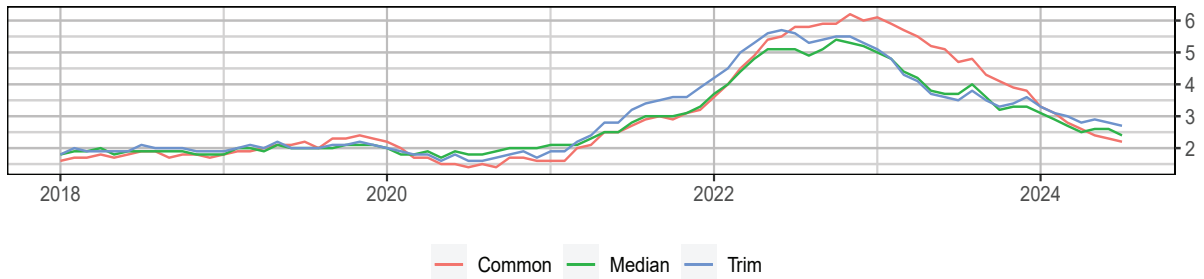
CPI ex food/energy sa, 3m ann. % ch

Last data point: 2024-07-01



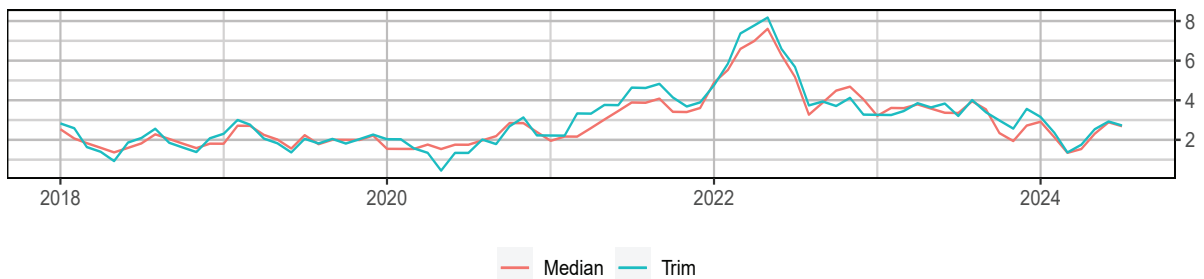
Bank of Canada Core Inflation, y/y % change

Last data point: 2024-07-01



Bank of Canada Core Inflation, 3m ann % change

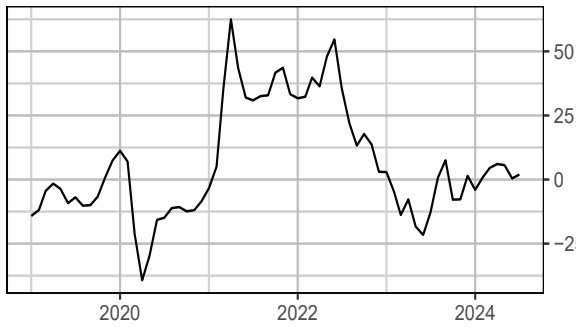
Last data point: 2024-07-01



Inflation Trends by Segment

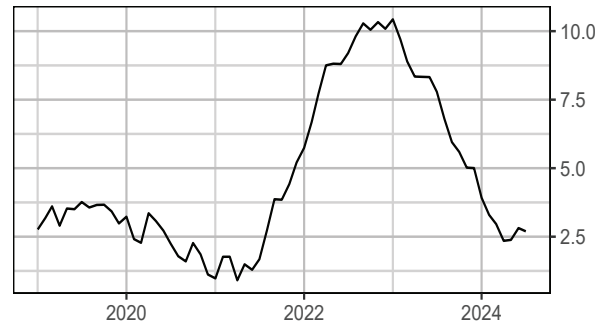
Gasoline, y/y % ch

Last data point: 2024-07-01



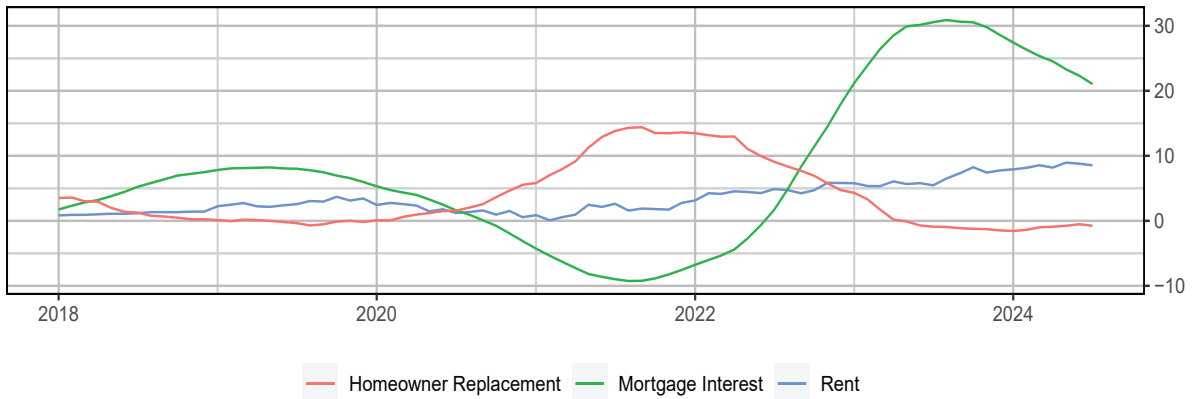
Food, y/y % ch

Last data point: 2024-07-01



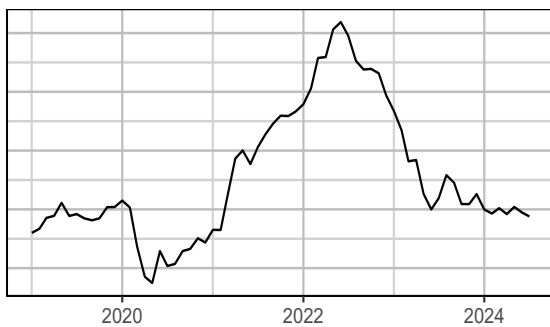
Shelter Inflation by Key component, y/y % change

Last data point: 2024-07-01



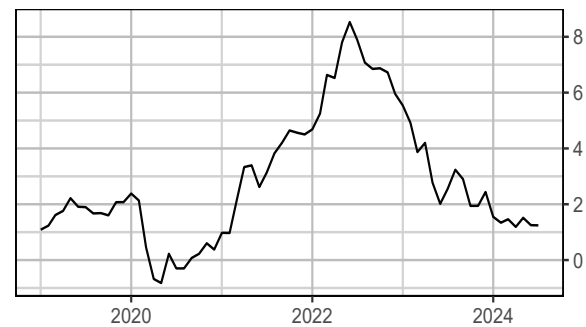
CPI ex mortgage, y/y % ch

Last data point: 2024-07-01



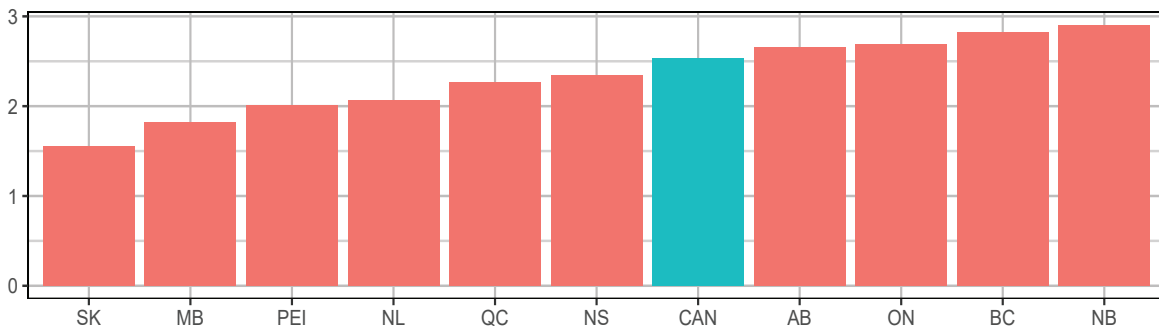
CPI ex shelter, y/y % ch

Last data point: 2024-07-01



CPI Inflation by Province, y/y %

Last data point: 2024-07-01



Statistics Canada, Central 1