



Inflation sinks again, repaves way for a 50-point Bank of Canada cut

Canada headline inflation sank to 1.6 per cent year-over-year in September to mark the slowest pace of growth since February 2021. On a monthly basis, prices fell 0.4 per cent (0.0 per cent seasonally-adjusted) from August. Bank of Canada core year-over-year inflation measures were identical to August with the median- and trim- measures at 2.3 and 2.4 per cent. with monthly growth in the median steady at 0.2 per cent and the trim- slowing to 0.1 per cent. Following Friday's hiccup from a stronger than expected labour market report, today's inflation print should repave the way to a 50- basis point cut from the Bank of Canada on October 23rd.

September's headline inflation decline from 2.0 per cent in August to 1.6 per cent was largely driven by gasoline prices which fell 7.1 per cent month-to-month and 10.7 per cent year-over-year. The latter decelerated from a 5.1 per cent decline in August. Excluding gasoline, the consumer price index held steady at 2.2 per cent for the second month.

Among other components of the index, there was a mixed pattern even as goods (-1.0 per cent) and services (4.0 per cent) both decelerated. Food prices were unchanged from August but edged up to 2.8 per cent year-over-year. At the store, food prices were up 2.4 per cent year-over-year with stronger growth in meat and dairy near three per cent, and vegetables at 4.0 per cent. Flat to modest growth for seafood, baked items and fruit. Price growth was notable higher at restaurants (3.5 per cent), pointing to ongoing pass-through of higher wages. Excluding food and broader energy prices, prices rose 2.4 per cent.

Consumers also experienced lower clothing and footwear prices (-4.4 per cent), while household appliances (-1.0 per cent), and furniture (0.4 per cent) were also flat, pointing to discounting by retailers amidst weak demand. Vehicle prices were 1.3 per cent lower as used car prices declined sharply. Disinflation in travel services (-2.8 per cent) and airfare (-4.4 per cent) were also drags.

While there are many moving parts for inflation, and excluding food and energy, inflation remains modest, shelter costs continue to prop up headline numbers. Mortgage interest costs were still up 16.7 per cent, albeit down from 18.8 per cent in August, while shelter slipped from 8.9 per cent to 8.2 per cent. Both remained hot, and rate cuts will take time to curb mortgage interest growth to more reasonable levels. Excluding mortgage interest, inflation was 1.0 per cent and taking out shelter, growth came down to 0.4 per cent. Effects of lower gasoline prices are weighing, but underlying inflation is weak.

With the latest data, inflation came in a touch above 2.0 per cent during the third quarter which was below the Bank of Canada's forecast (2.3 per cent), while the average of the core measures also came in below its expectations. While the labour market showed some resilience in September, labour market slack persists, and wage growth decelerated. Coupled with the further drag on inflation as lower interest rates feed through mortgage rates and downside concerns to inflation, we anticipate a 50- basis point cut later this month and a 3.5 per cent year end rate.

Bryan Yu

Chief Economist

Central 1 Credit Union

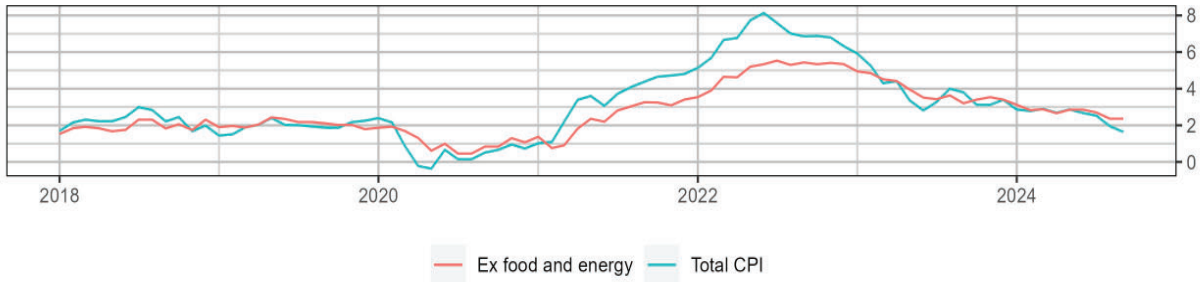
byu@central1.com

Sep/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	-0.2	1.6	2.0		
All-items, s.a.	0.0	0.1	1.7	1.9	1.2	1.8
Ex food and energy	-0.1	-0.1	2.4	2.4		
Ex food and energy, s.a.	0.2	0.1	2.4	2.4	1.6	1.6
Select Products and Services						
Goods	-0.6	-0.3	-1.0	-0.7		
Services	-0.2	-0.1	4.0	4.3		
Food	0.0	-0.1	2.8	2.7		
Gasoline	-7.1	-2.6	-10.7	-5.1		
Shelter	0.1	0.4	5.0	5.3		
Rent	0.2	1.0	8.2	8.9		
Mortgage Interest	0.9	0.8	16.7	18.8		
Homeowners Replacement	0.0	0.2	-0.4	-0.5		
CPI Ex Shelter	-0.5	-0.5	0.4	0.5		
Bank of Canada Core Measures						
Core Common			2.1	1.9		
Core Median			2.3	2.3		
Core Trim			2.4	2.4		
Core Median, s.a.	0.2	0.2	2.3	2.3	2.1	2.3
Core Trim, s.a.	0.1	0.2	2.4	2.4	2.1	2.3

Inflation Indicators

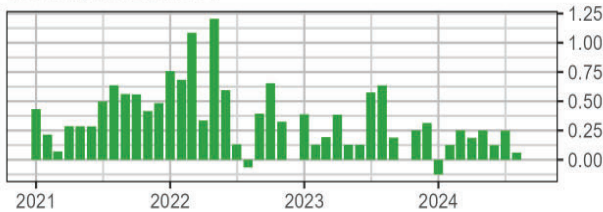
CPI Inflation, y/y % change

Last data point: 2024-09-01



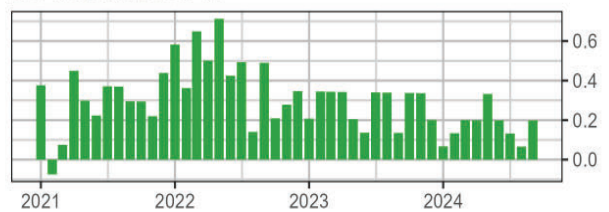
CPI sa, m/m % ch

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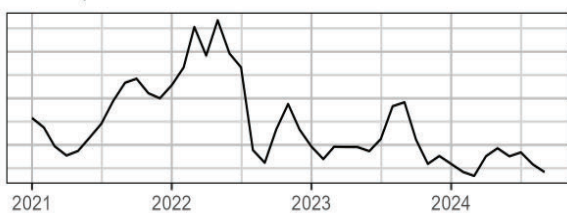
CPI ex food/energy sa, m/m % ch

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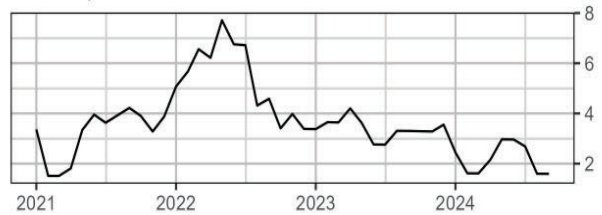
CPI sa, 3m ann. % ch

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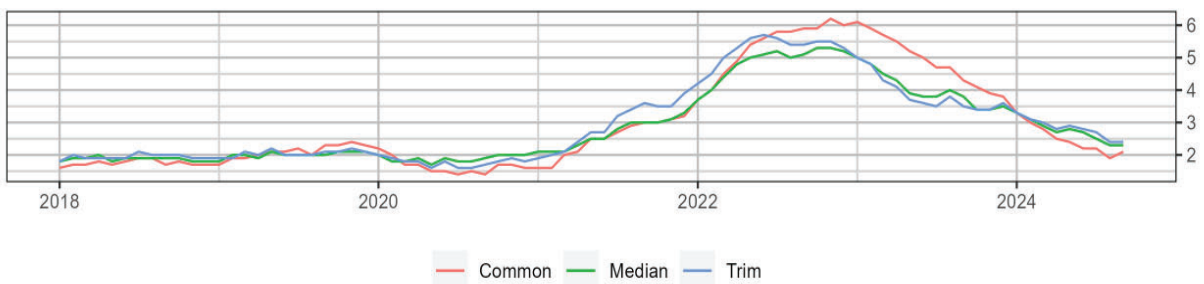
CPI ex food/energy sa, 3m ann. % ch

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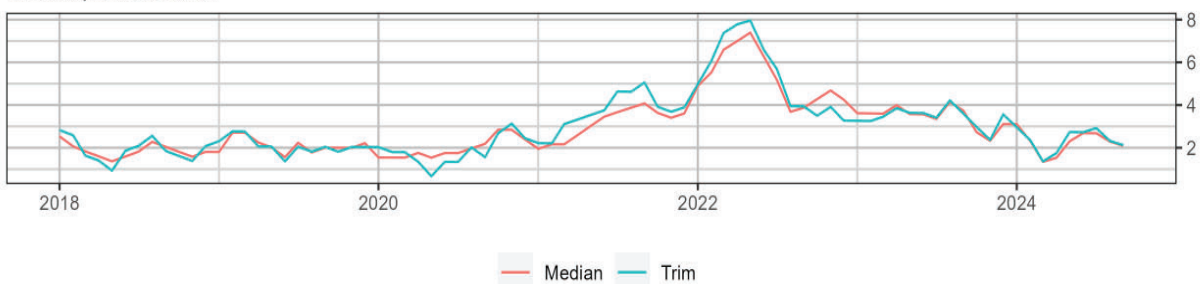
Bank of Canada Core Inflation, y/y % change

Last data point: 2024-09-01



Bank of Canada Core Inflation, 3m ann % change

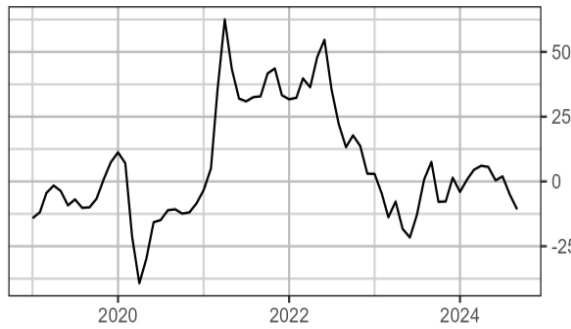
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Inflation Trends by Segment

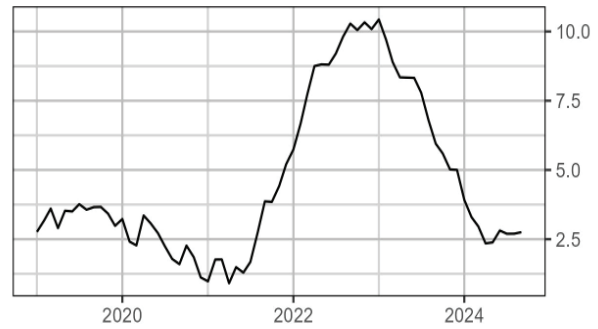
Gasoline, y/y % ch

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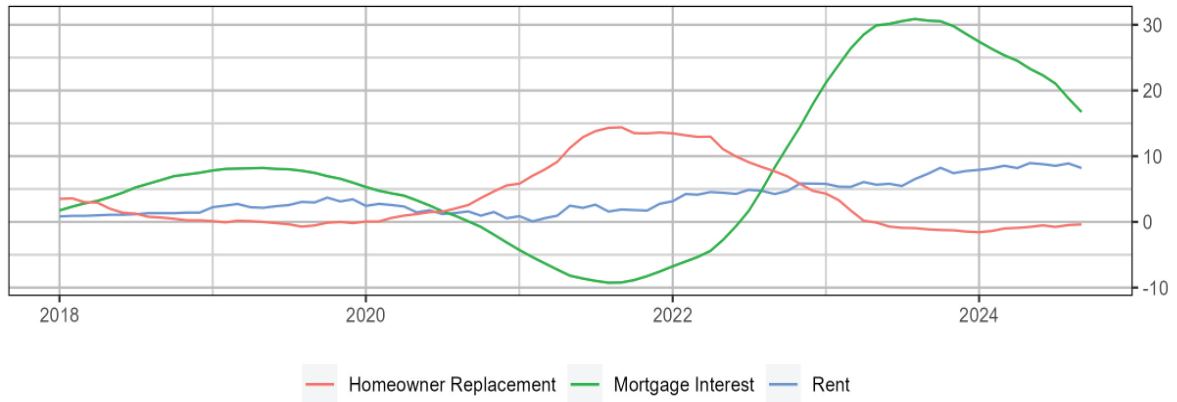
Food, y/y % ch

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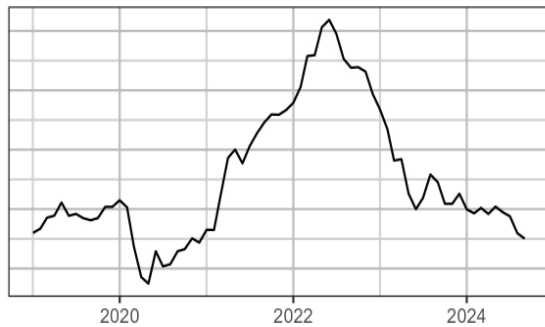
Shelter Inflation by Key component, y/y % change

Last data point: 2024-09-01



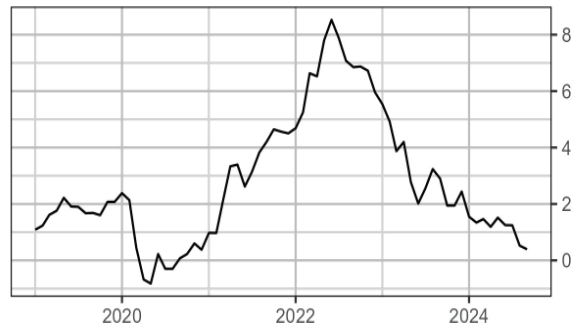
CPI ex mortgage, y/y % ch

Last data point: 2024-09-01



CPI ex shelter, y/y % ch

Last data point: 2024-09-01



CPI Inflation by Province, y/y %

Last data point: 2024-09-01

