



Canadian inflation snaps back to two per cent as broad prices firm

Inflation snapped back in October to 2.0 per cent after sinking to 1.6 per cent in September with acceleration across several key measures. However, with inflation sitting right at the mid-point of the Bank of Canada's target range, price pressures are still relatively modest, albeit a touch higher than market expectations (1.9 per cent).

Not surprisingly given previous monthly patterns, volatility was again driven by gasoline prices which narrowed from a year-over-year decline of 10.7 per cent in September to 4.0 per cent. This was a base-year effect from a sharp drop last year as prices rose only 0.7 per cent m/m. Property tax growth was also a key driver of growth with an increase of 6.0 per cent y/y – with residents of Newfoundland and Labrador, and B.C. feeling the brunt of this municipal level pain. This is a once per year index adjustment in October. That said, there was a bit more heat when it came to food prices, which accelerated from 2.8 per cent to 3.0 per cent, with a lift in store-bought food to 2.7 per cent. Meat prices rose 3.4 per cent and fresh vegetables were up 4.9 per cent. Growth in restaurant meal prices came in at 3.4 per cent but slipped from September's 3.5 per cent. Among housing related goods, furniture prices rose 0.7 per cent ending about six months of deflation, although equipment prices continued to fall, pointing to a pullback in consumer spending.

Shelter costs remained a hefty driver of topline inflation levels but are now contributing to a deceleration with growth of 4.8 per cent y/y compared to 5.0 per cent in September. While m/m shelter costs accelerated, this was owing to the jump in property taxes. Rent and mortgage interest costs decelerated from September and continue to fall on a y/y basis albeit remaining high. Rent growth came in at 7.3 per cent, y/y and mortgage interest costs at 16.7 per cent.

Core measures of inflation were mixed. Bank of Canada measures rose in October with the trim- and median- measures at 2.6 per cent and 2.5 per cent, respectively, both up 0.2 pp. Monthly patterns also increased, suggesting a bit more heat in underlying inflation than previously expected. The traditional core measures, excluding food and energy, showed a mild slip from 2.4 per cent to 2.3 per cent, but similarly an acceleration in monthly growth. Excluding shelter, inflation remains low at 0.9 per cent y/y but rose from September.

Our key takeaway from today's report is that while inflation continues to normalize and track near the Bank's target, there may be less disinflationary pressure than previously thought. Several factors could steady price trends even as the Canadian economy slows. Near-term, the U.S. Fed is wavering in its rate cut pivot amidst economic strength and policy risk, contributing to a weaker Canadian dollar. This is likely to lift import prices. The Canadian government's U-turn on immigration could very well tighten the labour market next year and in 2026 and impede progress to slow wages, while the housing market is showing life, both in volume and prices. We currently expect a 25- basis point cut at the December meeting.

Bryan Yu

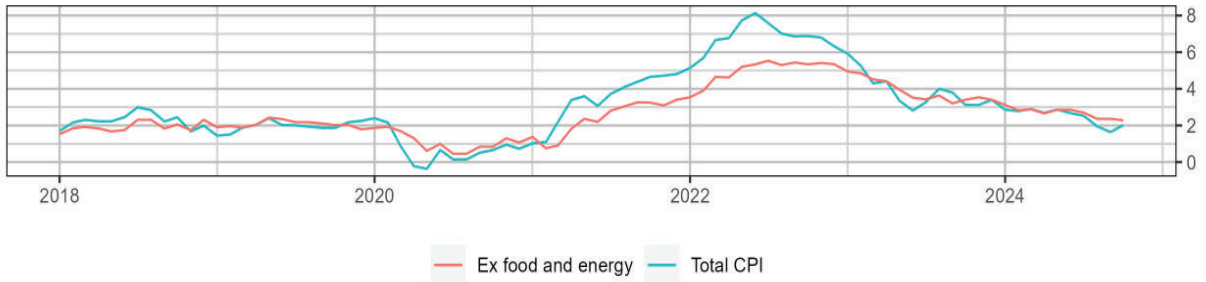
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Oct/2024		Canada Consumer Price Index					
Indicator	m/m ch.	prior m/m ch	y/y ch.	prior y/y ch.	3m ann % ch.	prior 3m ann % ch.	
All-items, actual	0.4	-0.4	2.0	1.6			
All-items, s.a.	0.3	0.0	2.0	1.7	1.5	1.2	
Ex food and energy	0.5	-0.1	2.3	2.4			
Ex food and energy, s.a.	0.2	0.2	2.3	2.4	1.9	1.6	
Select Products and Services							
Goods	0.3	-0.6	0.1	-1.0			
Services	0.4	-0.2	3.6	4.0			
Food	0.1	0.0	3.0	2.8			
Gasoline	0.7	-7.1	-4.0	-10.7			
Shelter	0.7	0.1	4.8	5.0			
Rent	0.6	0.2	7.3	8.2			
Mortgage Interest	0.7	0.9	14.7	16.7			
Homeowners Replacement	0.0	0.0	-0.1	-0.4			
CPI Ex Shelter	0.3	-0.5	0.9	0.4			
Bank of Canada Core Measures							
Core Common			2.2	2.1			
Core Median			2.5	2.3			
Core Trim			2.6	2.4			
Core Median, s.a.	0.3	0.2	2.5	2.3	2.7	2.1	
Core Trim, s.a.	0.3	0.2	2.6	2.4	2.9	2.1	

Inflation Indicators

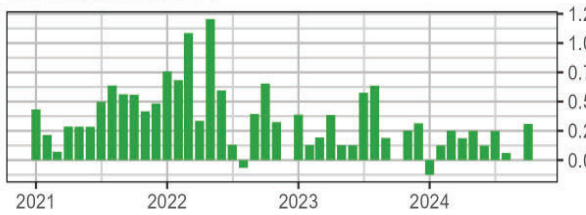
CPI Inflation, y/y % change

Last data point: 2024-10-01



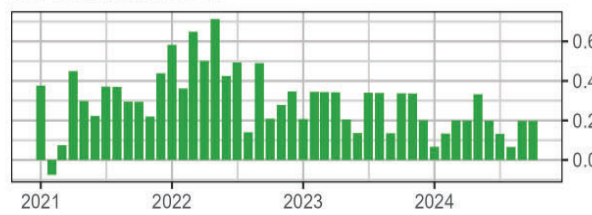
CPI sa, m/m % ch

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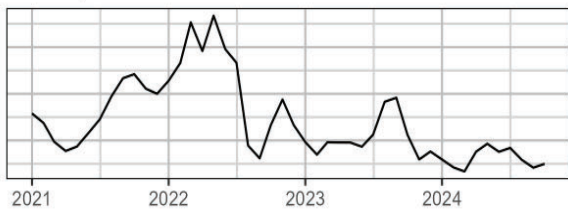
CPI ex food/energy sa, m/m % ch

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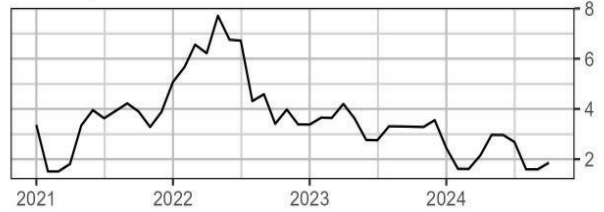
CPI sa, 3m ann. % ch

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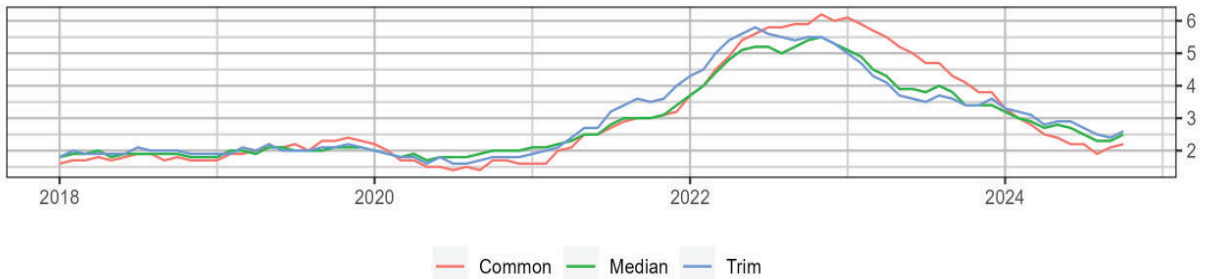
CPI ex food/energy sa, 3m ann. % ch

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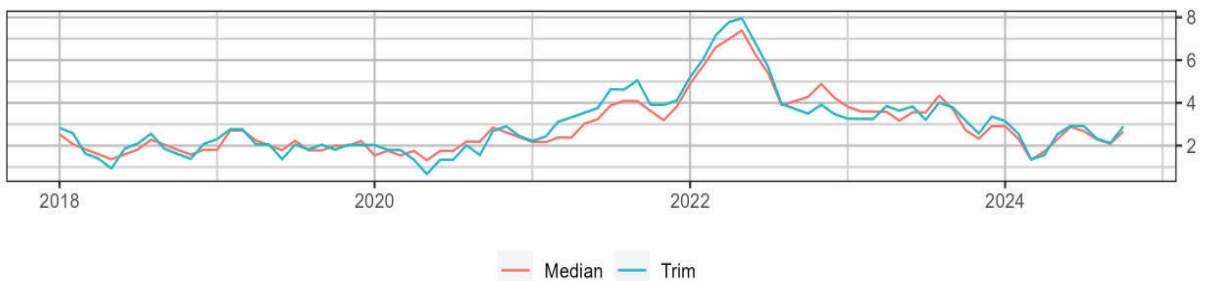
Bank of Canada Core Inflation, y/y % change

Last data point: 2024-10-01



Bank of Canada Core Inflation, 3m ann % change

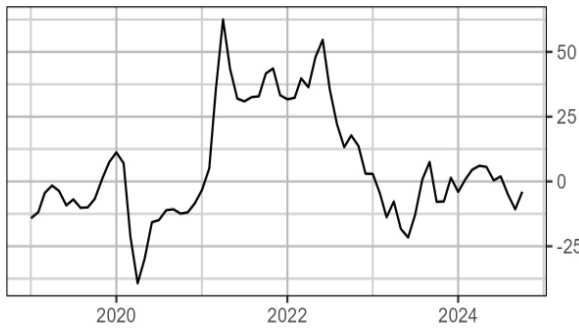
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Inflation Trends by Segment

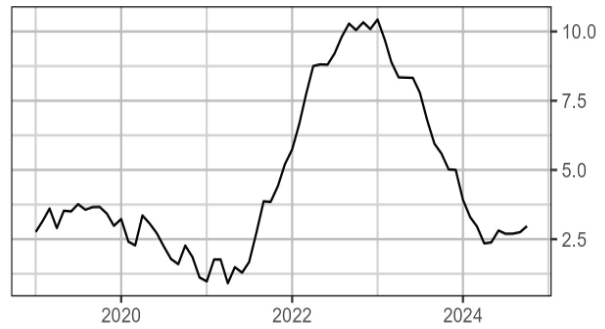
Gasoline, y/y % ch

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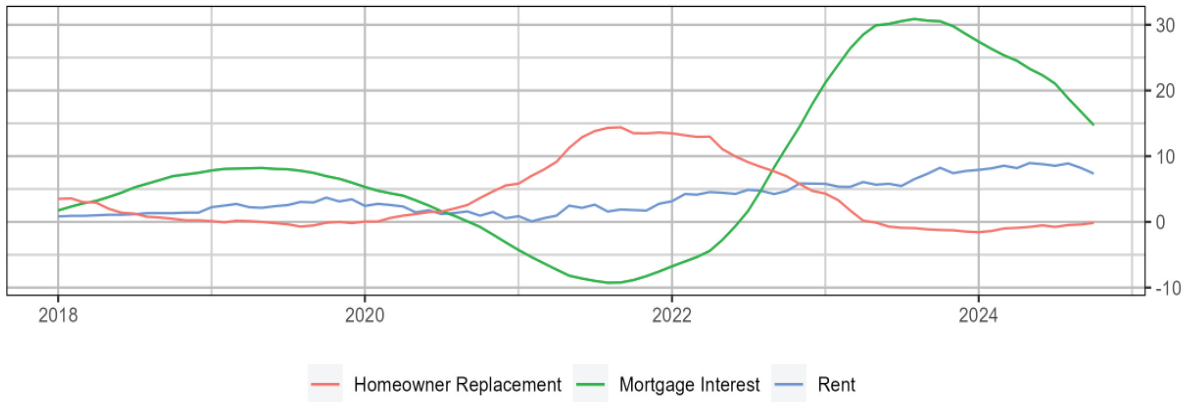
Food, y/y % ch

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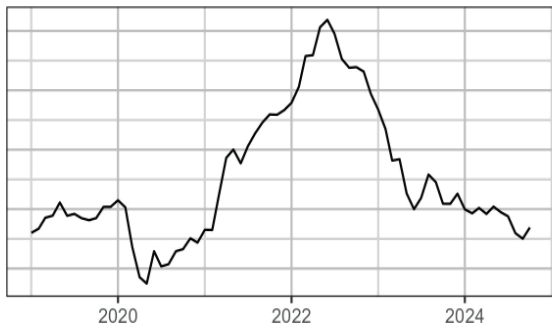
Shelter Inflation by Key component, y/y % change

Last data point: 2024-10-01



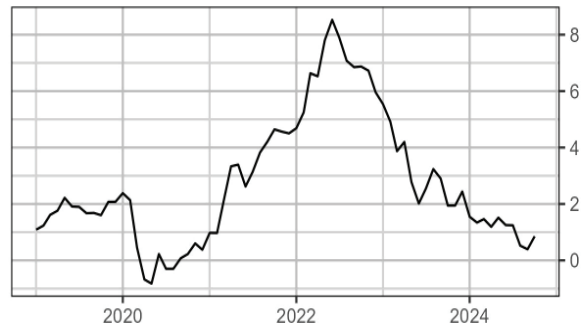
CPI ex mortgage, y/y % ch

Last data point: 2024-10-01



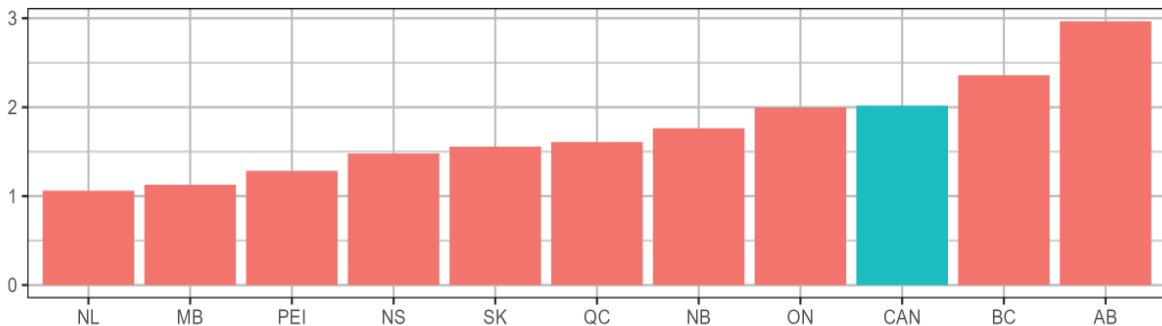
CPI ex shelter, y/y % ch

Last data point: 2024-10-01



CPI Inflation by Province, y/y %

Last data point: 2024-10-01



Statistics Canada, Central 1