



Consumers enjoy a modest break from GST cuts in December

As anticipated, CPI inflation fell in December as households enjoyed modest relief on their wallets with the federal government's temporary GST holiday. Headline inflation slipped to 1.8 per cent y/y from 1.9 per cent in November, with a monthly price decline of 0.4 per cent. That said, seasonally- adjusted prices accelerated to 0.2 per cent m/m.

The tax break, which extends until February 15, covers children's clothing/footwear, food (including restaurant meals), some alcohol, and recreation items. Declines were evident in the December data with store-bought alcohol prices down 1.3 per cent compared to a 1.9 per cent increase in November, while restaurant meal prices fell 1.6 per cent from a 3.4 per cent increase the prior month. Store-bought food prices rose a more modest 1.9 per cent from 2.6 per cent in November with only some taxed goods effected, while children's clothing and footwear enjoyed the full benefit of the cut with the former down 11 per cent compared to five per cent in November, and footwear down 11.2 per cent from 6.7 per cent.

Aside from tax influenced items, gasoline prices edged down from November but base year effects led to a 3.5 per cent y/y increase. Shelter prices rose monthly, but year-over-year growth decelerated to 4.5 per cent from 4.6 per cent, as mortgage interest and rent costs growth tempered. Hotel prices rose swiftly 13.5 per cent y/y as monthly prices held steady in what is normally a down month with star power visiting Vancouver.

Given the temporary nature of the tax breaks, the Bank of Canada will look through the latest headline inflation readings. Inflation remains modest, and excluding shelter remains below one per cent year-over-year. Both core median and trim measures nudged lower to 2.4 and 2.5 per cent.

However, short-term price trends are firm, which could throw a wrench on the pace of future rate reductions and the terminal rate. Seasonally- adjusted price growth has recently accelerated, jumping to about 2.8 per cent from 1.8 per cent, and excluding food and energy is at 2.4 per cent. Bank of Canada core median and trim measures rose to a lofty 3.4 and 3.7 per cent. This will be an area of concern, but declining wage growth, still modest headline inflation and tariff risks should keep the Bank cutting at the end of this month by another 25 bps.

Bryan Yu

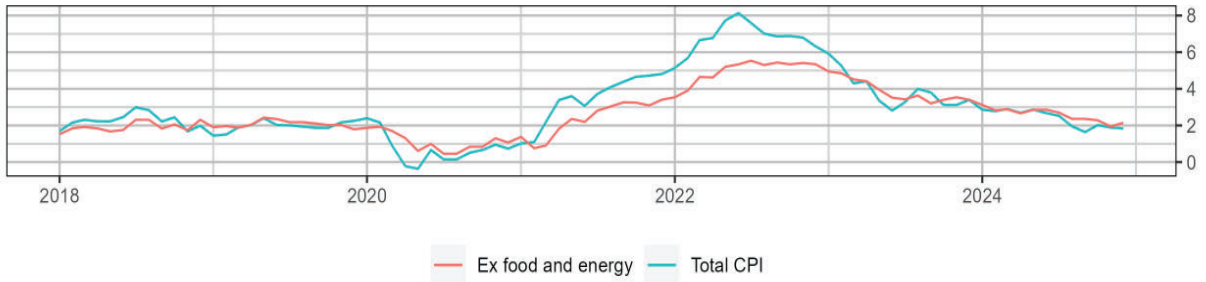
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| Dec/2024 | | Canada Consumer Price Index | | | | | |
|------------------------------|---------|-----------------------------|---------|---------------|--------------|--------------------|--|
| Indicator | m/m ch. | prior m/m ch | y/y ch. | prior y/y ch. | 3m ann % ch. | prior 3m ann % ch. | |
| All-items, actual | -0.4 | 0.0 | 1.8 | 1.9 | | | |
| All-items, s.a. | 0.2 | 0.1 | 1.8 | 1.9 | 2.8 | 1.7 | |
| Ex food and energy | -0.1 | -0.1 | 2.1 | 1.9 | | | |
| Ex food and energy, s.a. | 0.3 | 0.1 | 2.1 | 2.1 | 2.4 | 2.1 | |
| Select Products and Services | | | | | | | |
| Goods | -0.9 | 0.0 | -0.1 | 0.0 | | | |
| Services | 0.1 | 0.1 | 3.5 | 3.5 | | | |
| Food | -1.8 | 0.5 | 0.6 | 2.8 | | | |
| Gasoline | -0.6 | 0.0 | 3.5 | -0.5 | | | |
| Shelter | 0.3 | 0.3 | 4.5 | 4.6 | | | |
| Rent | 0.3 | 0.7 | 7.1 | 7.7 | | | |
| Mortgage Interest | 0.4 | 0.6 | 11.7 | 13.2 | | | |
| Homeowners Replacement | 0.1 | -0.4 | 0.0 | -0.5 | | | |
| CPI Ex Shelter | -0.7 | -0.1 | 0.7 | 0.8 | | | |
| Bank of Canada Core Measures | | | | | | | |
| Core Common | | | 2.0 | 2.0 | | | |
| Core Median | | | 2.4 | 2.6 | | | |
| Core Trim | | | 2.5 | 2.6 | | | |
| Core Median, s.a. | 0.2 | 0.3 | 2.4 | 2.6 | 3.4 | 3.2 | |
| Core Trim, s.a. | 0.3 | 0.3 | 2.5 | 2.6 | 3.7 | 3.3 | |

Inflation Indicators

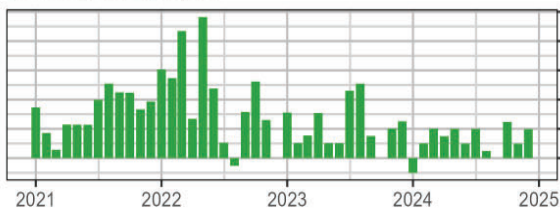
CPI Inflation, y/y % change

Last data point: 2024-12-01



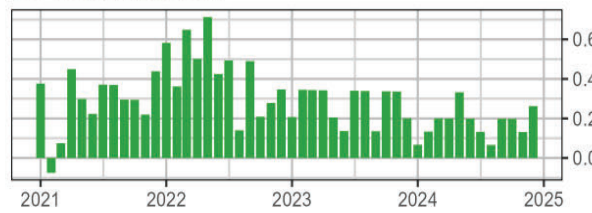
CPI sa, m/m % ch

Last data point: 2024-12-01



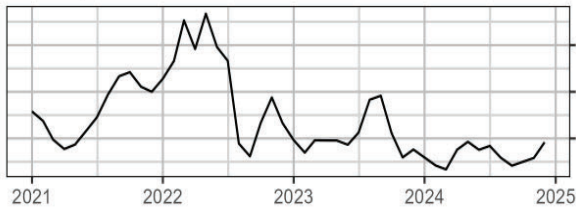
CPI ex food/energy sa, m/m % ch

Last data point: 2024-12-01



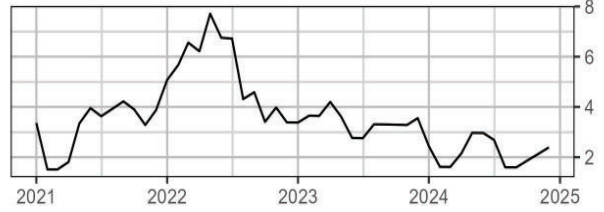
CPI sa, 3m ann. % ch

Last data point: 2024-12-01



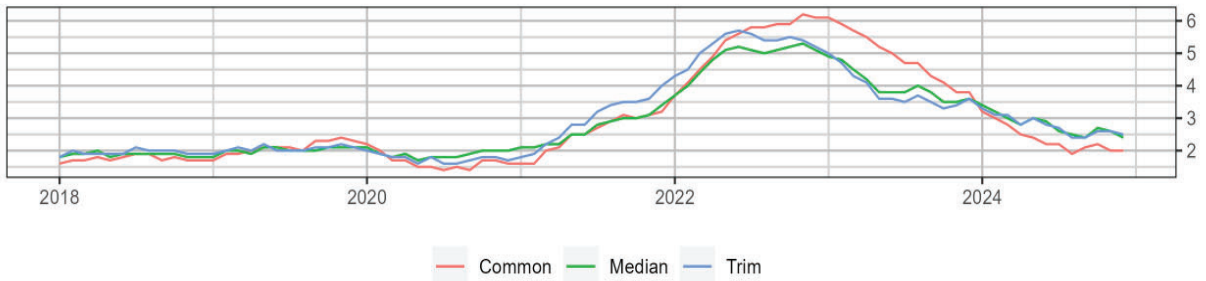
CPI ex food/energy sa, 3m ann. % ch

Last data point: 2024-12-01



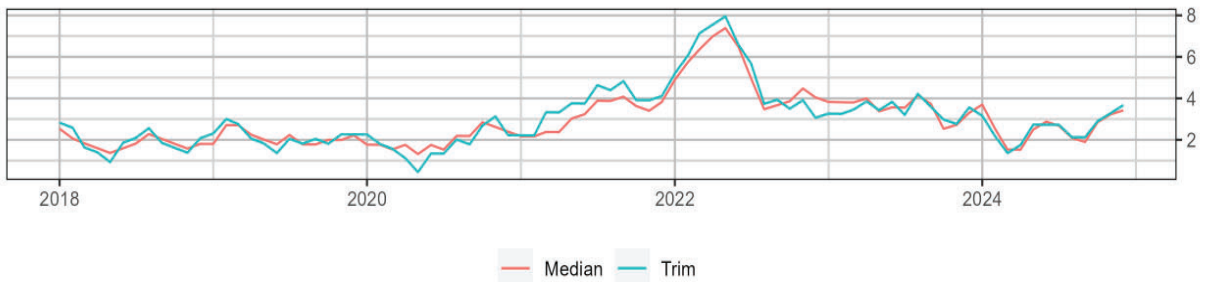
Bank of Canada Core Inflation, y/y % change

Last data point: 2024-12-01



Bank of Canada Core Inflation, 3m ann % change

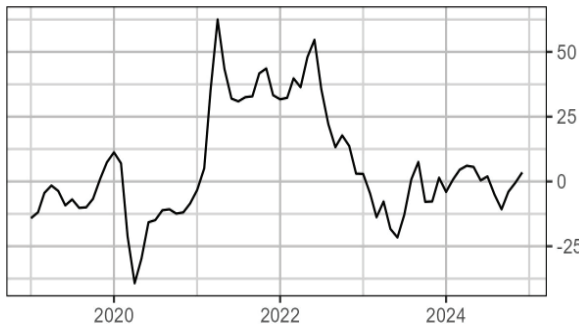
Last data point: 2024-12-01



Inflation Trends by Segment

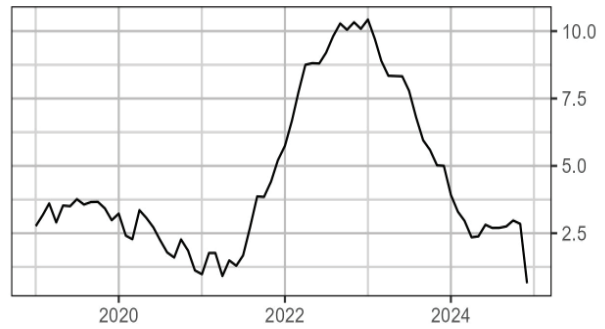
Gasoline, y/y % ch

Last data point: 2024-12-01



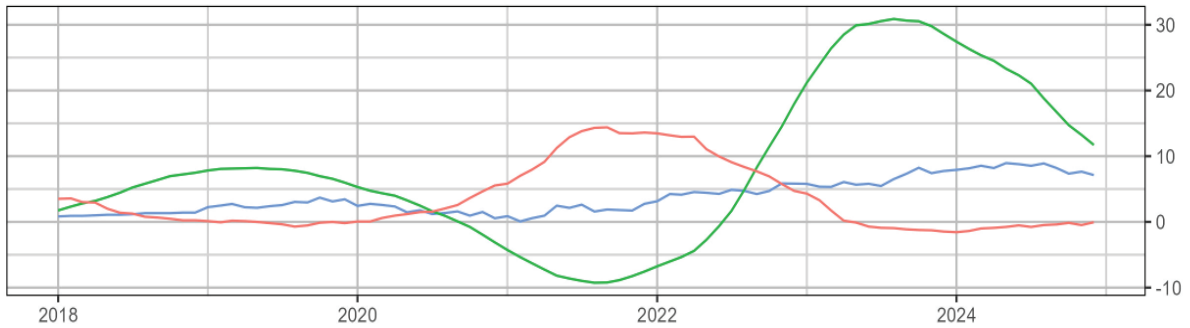
Food, y/y % ch

Last data point: 2024-12-01



Shelter Inflation by Key component, y/y % change

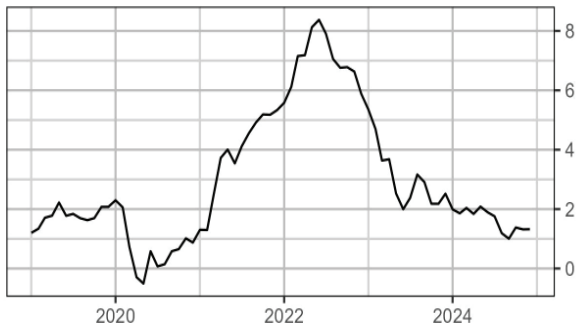
Last data point: 2024-12-01



— Homeowner Replacement — Mortgage Interest — Rent

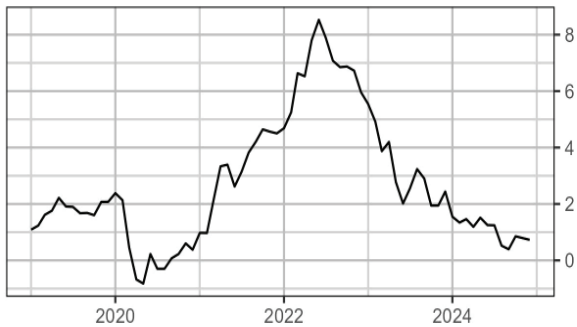
CPI ex mortgage, y/y % ch

Last data point: 2024-12-01



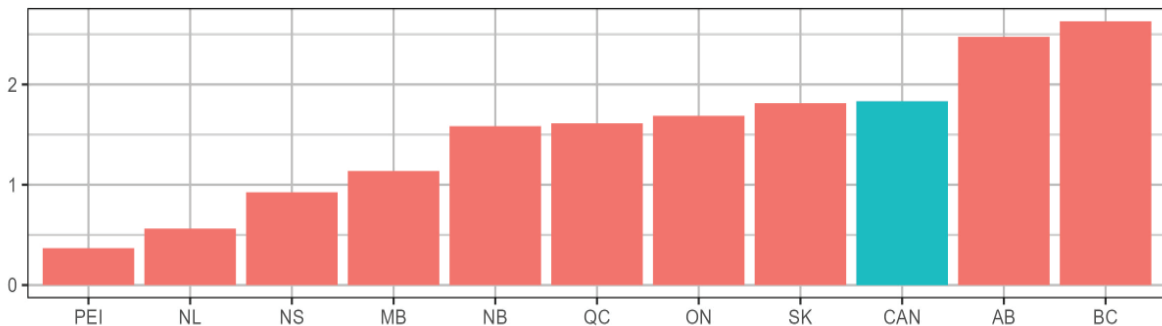
CPI ex shelter, y/y % ch

Last data point: 2024-12-01



CPI Inflation by Province, y/y %

Last data point: 2024-12-01



Statistics Canada, Central 1