



Inflation tamed in July but core holds up

Canadian inflation pressure slowed in July as headline growth decelerated after a June bump while core inflation remained unchanged. Headline CPI inflation fell to 1.7 per cent y/y from a 1.9 per cent pace in June, with seasonally- adjusted prices up a mild 0.1 per cent m/m. The three-month annualized trend in the latter rose to 2.2 per cent from 0.7 per cent but remained modest. The removal of the carbon tax in April continued to hold down y/y CPI growth, while Canadian retaliatory tariffs are lifting pricing for some goods.

Dragging on inflation was gasoline prices which fell 0.7 per cent m/m and 16.1 per cent y/y. The latter compared to a 13.4 per cent drop in March and owed to the underlying impact of the carbon tax removal and easing of global crude prices following the ceasefire between Israel and Iran and higher OPEC supply. More broadly, energy prices fell a more modest 10.4 per cent y/y as natural gas prices rose sharply m/m.

Canadian also faced higher food prices which rose 0.4 per cent m/m (s.a.) and 3.3 per cent y/y from 2.9 per cent in June. Specifically, grocery prices jumped from a 2.8 per cent pace to 3.4 per cent. This was led by an acceleration in fruit prices to 3.9 per cent y/y. Orange prices rose 12.2 per cent and tomatoes rose 11 per cent owing in part to retaliatory tariffs, while nuts and seeds rose 11 per cent. Coffee prices have also soared by nearly 30 per cent over the past year. Restaurant price growth held steady at 3.2 per cent with businesses likely absorbing some of the rise in input cost.

Excluding food and energy (classic core inflation), prices rose 2.5 per cent y/y, tempering from June. Shelter costs remained a positive contributor, accelerating to 3.0 per cent from 2.9 per cent owing to higher rent (5.1 per cent). That said, this should temper given lower asking rents and coming oversupply in many large urban markets. Outside gasoline, goods prices were mixed. Growth in vehicle prices accelerated to 4.5 per cent from 4.1 per cent, jewelry prices rose 18 per cent, and sports equipment rose 7.7 per cent which as retaliatory tariff hit some prices. While services prices rose 2.8 per cent, and driven by shelter, there was some relief as hotels/ accommodation fell 2.7 per cent y/y, and airfare fell by 10 per cent, which could reflect declines in demand for US travel.

Bank of Canada preferred measures of core inflation were generally steady but remained relatively firm. The median- measure nudged up to 3.1 per cent while the trim- measure was unchanged at 3.0 per cent. That said, the 3-month annualized measure came in at a more modest 2.4 per cent.

Overall, the latest inflation reading was tame and pointed to modest inflation pressure despite some pass-through of retaliatory tariffs. Bank of Canada measures of y/y core inflation remain a touch elevated as shelter remained a source of pressure, but the Bank has noted that underlying inflation is closer to 2.5 per cent, and the annualized trend in core is closer to this pace. There is still a full round of economic and inflation data to come before the September rate announcement. We expect a rate cut provided labour market conditions and inflation continue to soften.

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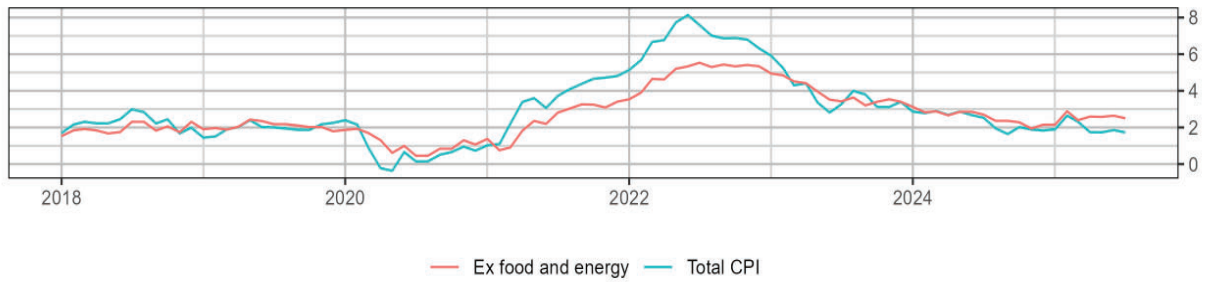
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Jul/2025	Canada Consumer Price Index					
Indicator	m/m ch.	prior m/m ch	y/y ch.	prior y/y ch.	3m ann % ch.	prior 3m ann % ch.
All-items, actual	0.3	0.1	1.7	1.9		
All-items, s.a.	0.1	0.2	1.7	1.9	2.2	0.7
Ex food and energy	0.3	0.1	2.5	2.6		
Ex food and energy, s.a.	0.1	0.2	2.4	2.6	2.1	3.2
Select Products and Services						
Goods	0.1	0.1	0.3	0.5		
Services	0.4	0.1	2.8	3.0		
Food	0.6	0.1	3.3	2.9		
Gasoline	-0.7	-0.7	-16.1	-13.4		
Shelter	0.3	0.2	3.0	2.9		
Rent	0.6	0.4	5.1	4.7		
Mortgage Interest	0.2	0.2	4.8	5.6		
Homeowners Replacement	-0.2	-0.4	-0.9	-0.9		
CPI Ex Shelter	0.3	0.0	1.2	1.5		
Bank of Canada Core Measures						
Core Common			2.6	2.6		
Core Median			3.1	3.0		
Core Trim			3.0	3.0		
Core Median, s.a.	0.2	0.2	3.1	3.0	2.4	3.4
Core Trim, s.a.	0.2	0.2	3.0	3.0	2.4	3.4

Inflation Indicators

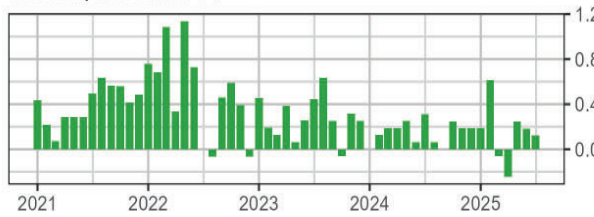
CPI Inflation, y/y % change

Last data point: 2025-07-01



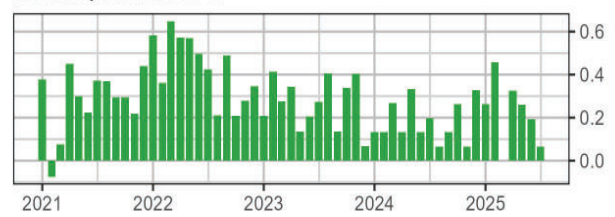
CPI sa, m/m % ch

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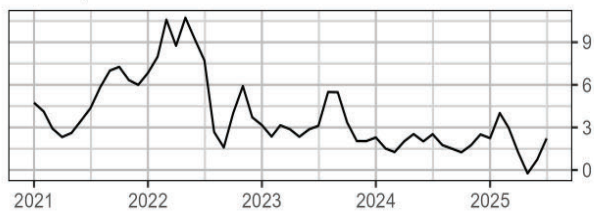
CPI ex food/energy sa, m/m % ch

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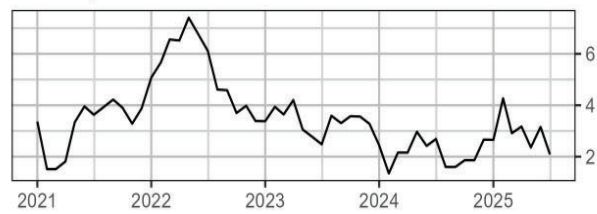
CPI sa, 3m ann. % ch

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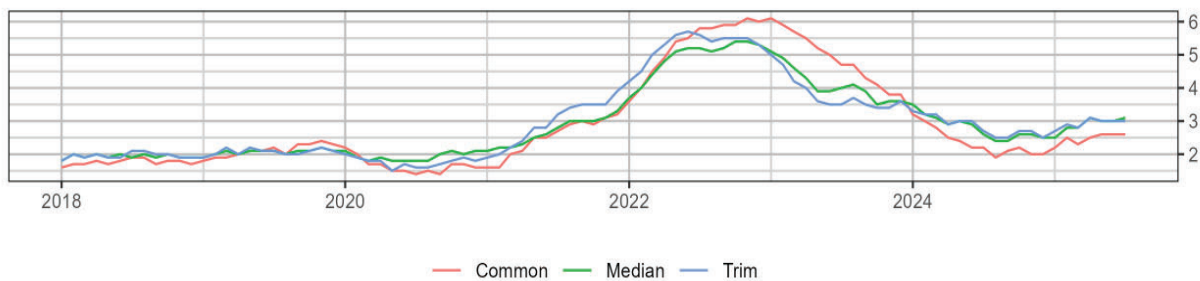
CPI ex food/energy sa, 3m ann. % ch

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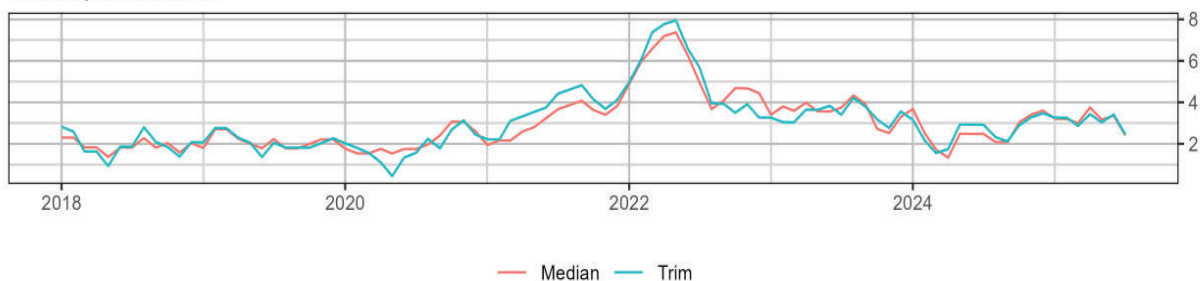
Bank of Canada Core Inflation, y/y % change

Last data point: 2025-07-01



Bank of Canada Core Inflation, 3m ann % change

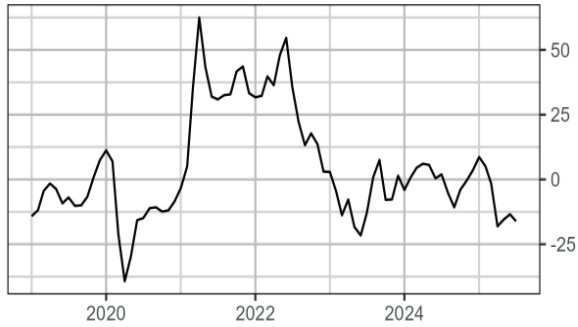
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Inflation Trends by Segment

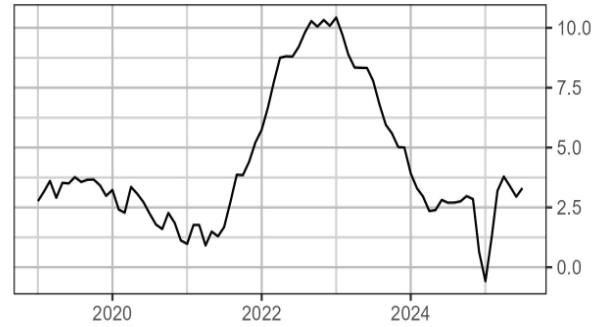
Gasoline, y/y % ch

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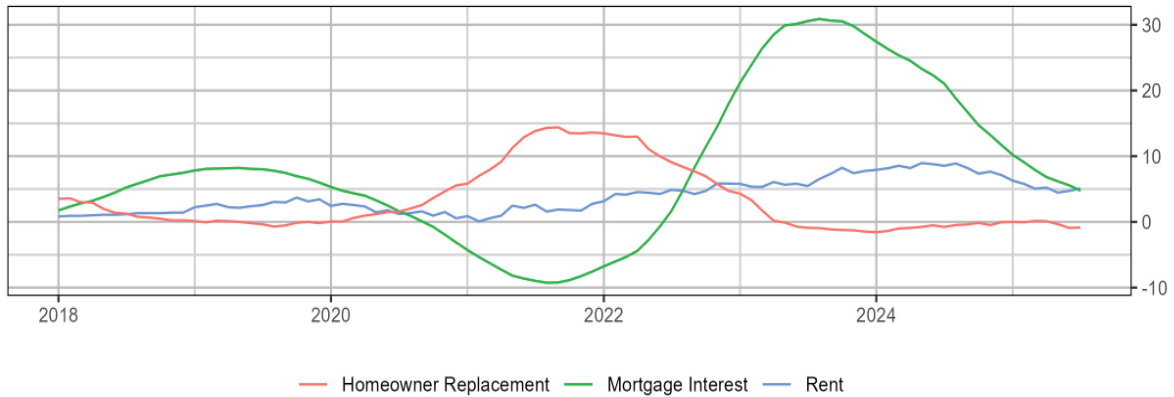
Food, y/y % ch

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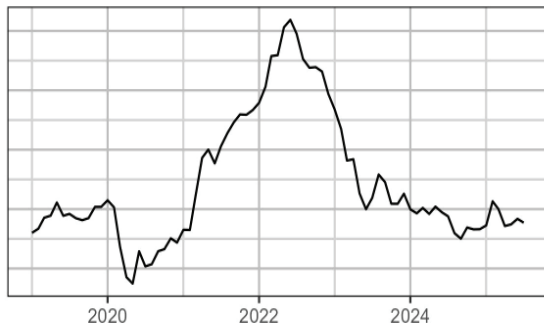
Shelter Inflation by Key component, y/y % change

Last data point: 2025-07-01



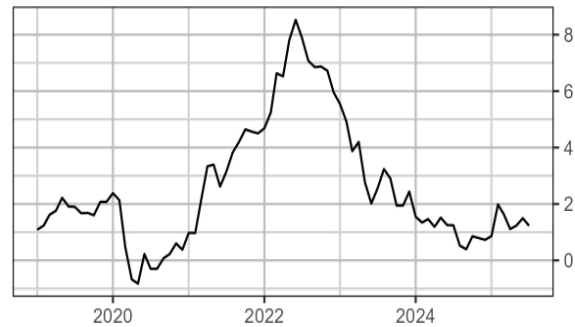
CPI ex mortgage, y/y % ch

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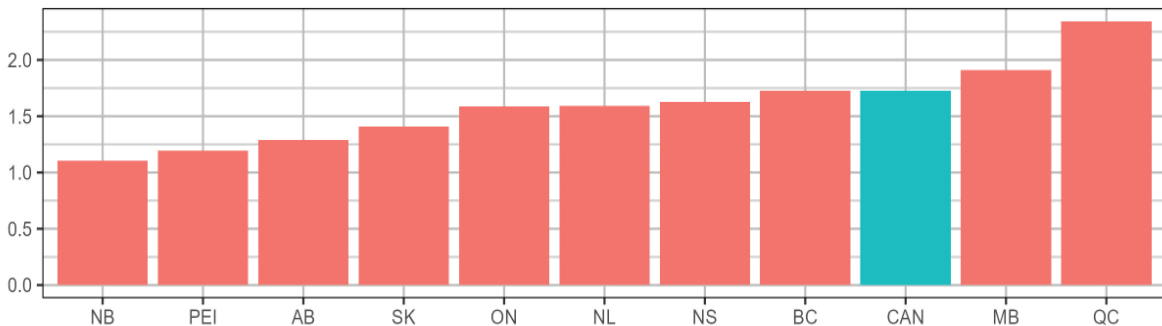
CPI ex shelter, y/y % ch

Last data point: 2025-07-01



CPI Inflation by Province, y/y %

Last data point: 2025-07-01



Statistics Canada, Central 1