



Inflation bumps higher in September, BoC rate cut still expected

Headline consumer price inflation ran a touch hot in September, rising to 2.4 per cent y/y from 1.9 per cent in August propelled by higher gasoline and food prices. This was the strongest increase in prices since February. On a m/m basis, the consumer price index (CPI) increased 0.1 per cent (0.4 per cent s.a.). Outside these segments, inflation remained moderate (albeit core measures were firm) and the breadth of economic data remains weak, which we view as supporting one more Bank of Canada rate cut later this month before it pauses thereafter.

September's inflation increase was lifted by higher gasoline prices which rose 1.9 per cent m/m, with the y/y comparison narrowing to a drop of 4.1 per cent from a 12.7 per cent decline in August. This is owed to both the latest month's increase and a base year effect from a decline last year. Upside pressure from gas prices is likely to retreat given recent declines in prices at the pump and lower crude oil prices due to economic concerns. Food prices also accelerated, rising 3.8 per cent y/y from 3.4 per cent, and a seasonally- adjusted m/m gain of 0.5 per cent, which was the strongest since March. Gains in food prices were particularly strong at the grocery aisle (4.0 per cent y/y), compared to 3.3 per cent at restaurants. Households are paying more for vegetables, confectionary products, coffee, and beef, with supply issues driving some of the latter. Excluding food and energy, prices were up 2.4 per cent y/y, which was consistent with August.

Among other products and services, shelter prices remained an upward drag on overall inflation at 2.6 per cent but continued to drift lower with interest rates. Growth was consistent with August but down from 5 per cent a year ago. Surprisingly, rent growth as tracked by the CPI accelerated to 4.8 per cent, even as rents are falling in large urban markets. We expect this trend to soften. Mortgage interest (3.6 per cent) and homeowner replacement (-1.4 per cent) eased. Excluding shelter, inflation was muted at 1.6 per cent. Clothing and footwear prices rose at a mild rate of 0.8 per cent.

Bank of Canada core measures of inflation were flat or higher during the month. The core-median measure held steady at 3.2 per cent, while the trim- measure rose from 3.0 per cent to 3.1 per cent. Both are a touch high and above the 1-3 per cent target band. That said, the three- month trend for both remained below three per cent at 2.8 per cent at 2.6 per cent, but the trim-measured nudged higher.

The Bank of Canada will see the latest CPI print as reason for some caution at its next rate decision. That said, economic factors are expected to nudge the Bank to cut to 2.25 per cent. This includes slack in the labour market, where the unemployment rate held at an elevated 7.1 per cent, even as employment bounced back. Despite a pickup in the latter, the details were weaker. Moreover, the latest Business Outlook Survey points to subdued business sentiment, and a soft and slow investment and hiring outlook. Wage intentions continue to decline, which should temper some of the gains observed in LFS wage data. Short-term inflation expectations also sit below 3 per cent. Thereafter, the conditions are murky. Economic trends are likely to remain soft, but disinflation pressures could ease fiscal stimulus, and limited labour supply growth as migration caps continue to bite.

Bryan Yu

Chief Economist

Central 1 Credit Union

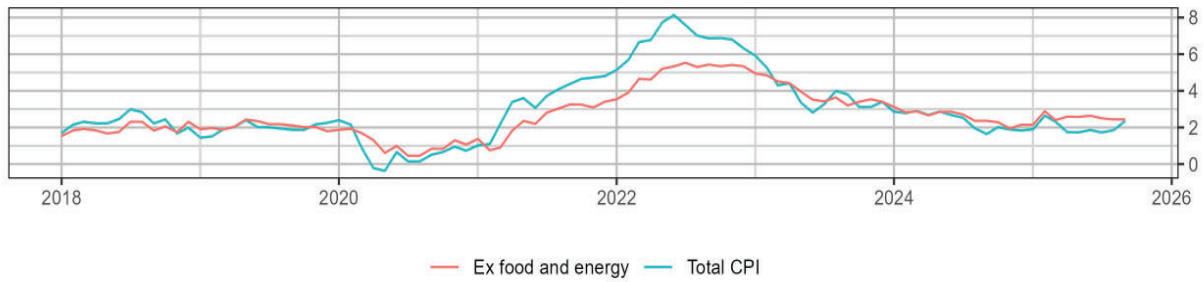
byu@central1.com

Sep/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	0.1	-0.1	2.4	1.9		
All-items, s.a.	0.4	0.2	2.3	1.9	3.0	2.0
Ex food and energy	-0.1	-0.2	2.4	2.4		
Ex food and energy, s.a.	0.2	0.1	2.6	2.5	1.6	1.6
Select Products and Services						
Goods	0.3	0.0	1.6	0.7		
Services	-0.1	-0.1	3.0	2.8		
Food	0.4	0.0	3.8	3.4		
Gasoline	1.9	1.4	-4.1	-12.7		
Shelter	0.1	0.1	2.6	2.6		
Rent	0.5	0.4	4.8	4.5		
Mortgage Interest	0.2	0.3	3.6	4.2		
Homeowners Replacement	-0.1	-0.2	-1.4	-1.3		
CPI Ex Shelter	0.1	-0.2	2.2	1.6		
Bank of Canada Core Measures						
Core Common			2.7	2.5		
Core Median			3.2	3.2		
Core Trim			3.1	3.0		
Core Median, s.a.	0.2	0.3	3.2	3.2	2.8	2.8
Core Trim, s.a.	0.2	0.2	3.1	3.0	2.6	2.4

Inflation Indicators

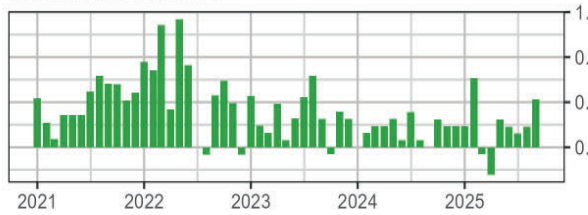
CPI Inflation, y/y % change

Last data point: 2025-09-01



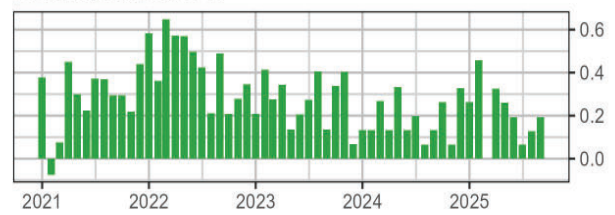
CPI sa, m/m % ch

Last data point: 2025-09-01



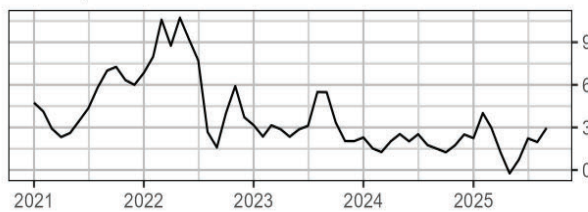
CPI ex food/energy sa, m/m % ch

Last data point: 2025-09-01



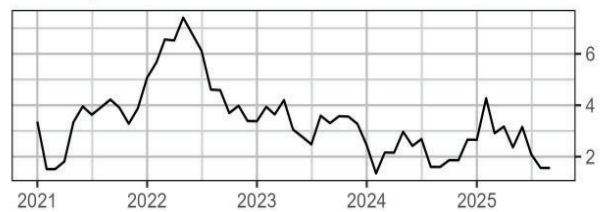
CPI sa, 3m ann. % ch

Last data point: 2025-09-01



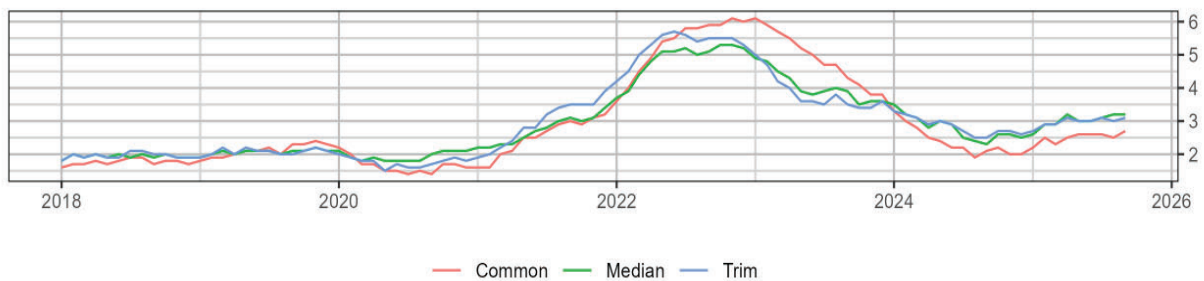
CPI ex food/energy sa, 3m ann. % ch

Last data point: 2025-09-01



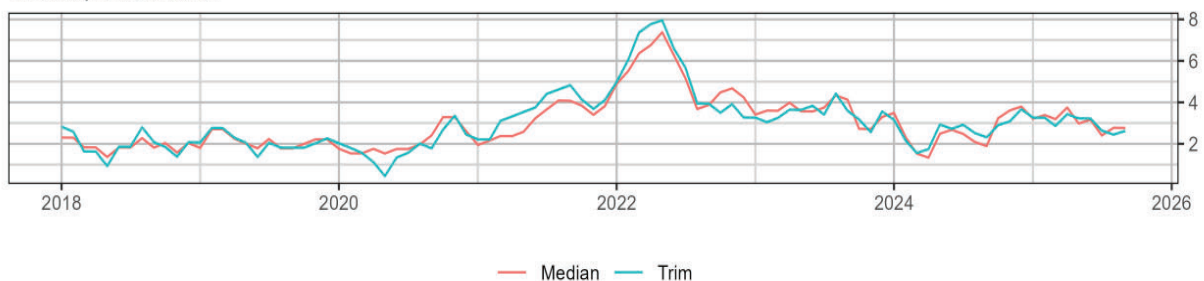
Bank of Canada Core Inflation, y/y % change

Last data point: 2025-09-01



Bank of Canada Core Inflation, 3m ann % change

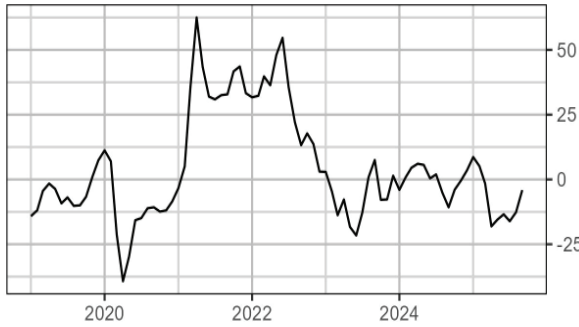
Last data point: 2025-09-01



Inflation Trends by Segment

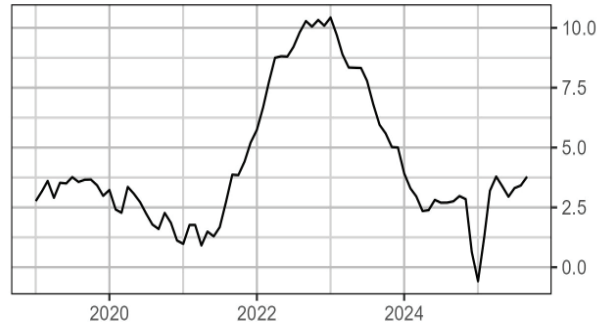
Gasoline, y/y % ch

Last data point: 2025-09-01



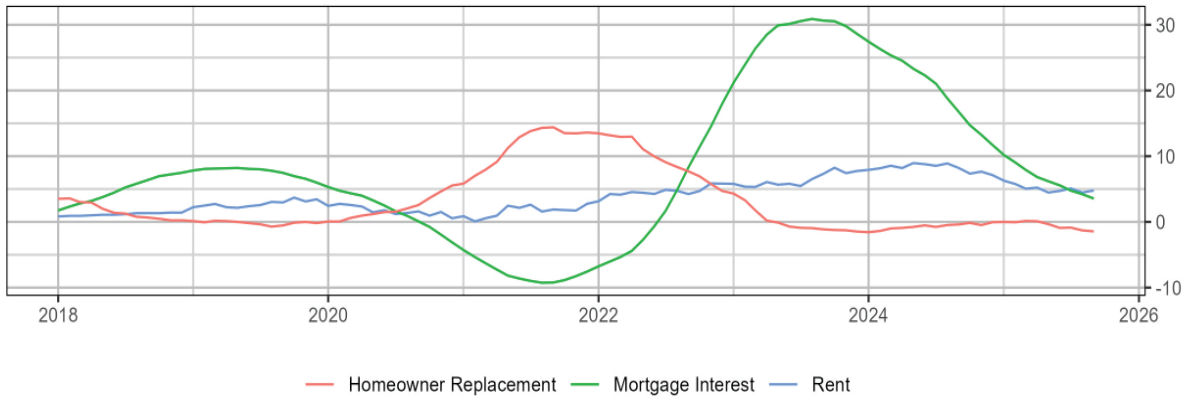
Food, y/y % ch

Last data point: 2025-09-01



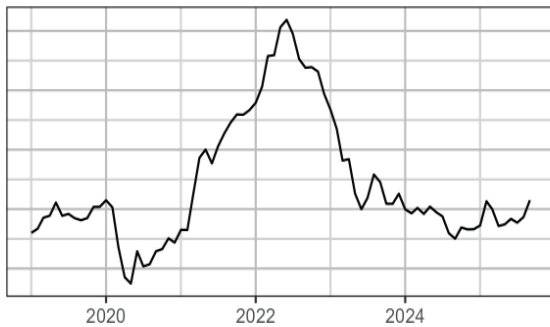
Shelter Inflation by Key component, y/y % change

Last data point: 2025-09-01



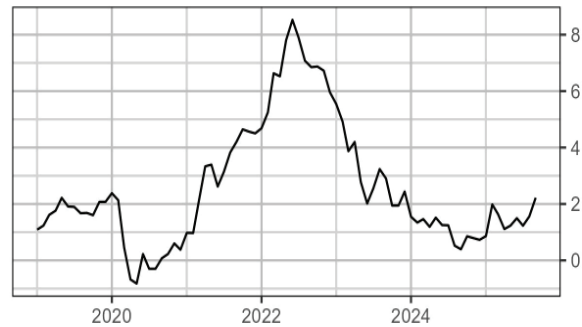
CPI ex mortgage, y/y % ch

Last data point: 2025-09-01



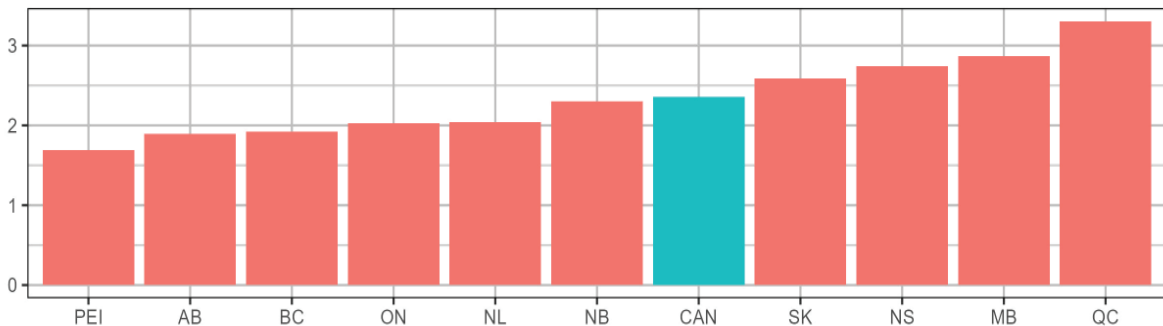
CPI ex shelter, y/y % ch

Last data point: 2025-09-01



CPI Inflation by Province, y/y %

Last data point: 2025-09-01



Statistics Canada, Central 1