



Inflation slows on gas prices, but trend still firm

Canadian consumer price inflation decelerated in October as gasoline once again drove headline moves. Nevertheless, the inflation trend remains relatively firm, and when combined with stronger economic data in recent weeks, likely keeps the Bank of Canada in a holding pattern well into 2026.

CPI inflation slipped to 2.2 per cent y/y in October, which partially retraced September's surge to 2.4 per cent. Inflation was 1.9 per cent in August. On a seasonally-adjusted basis, prices rose 0.1 per cent m/m, compared to a 0.4 per cent increase in September. Gasoline prices were a key contributor to the slowdown with a 4.8 per cent monthly decline and a 9.4 per cent drop from a year ago. Food prices also slipped 0.3 per cent m/m to slow y/y growth to 3.4 per cent from 3.8 per cent driven by store-bought foods. While meat prices continued to accelerate to 8.4 per cent (including beef at 16.8 per cent y/y), produce costs and baked goods declined.

Outside of food and energy, prices have firmed up with prices up 2.7 per cent y/y from 2.4 per cent in September, with the 3-month seasonally-adjusted annualized trend at 2.6 per cent. Contributing to the increase were higher prices for cellular services (7.7 per cent y/y) which was the strongest on record going back to 2017, while paper supply prices also increased sharply (13 per cent). Public transportation costs were also less of a drag on inflation as prices fell 2.9 per cent y/y, compared to a drop of 3.5 per cent the prior month.

In contrast, furniture prices were flat, while household equipment prices rose 1 per cent y/y, from 0.2 per cent in September. Clothing and footwear prices nudged lower. Recission of retaliatory tariffs has limited price increases in Canada. Vehicle prices accelerated from 3.9 to 4.1 per cent on a stronger increase in new vehicle prices.

Shelter inflation nudged lower to 2.5 per cent from 2.6 per cent in September. However, this reflected offsets of higher rent, which rose 5.2 per cent, compared to 4.8 per cent the previous month. This is counterintuitive given declining rents in markets across Canada but likely lags current market trends and should decelerate. Lower mortgage rates continued to drag on homeownership costs, although home and mortgage insurance costs have ramped up.

The Bank of Canada's preferred core inflation measures remained elevated during the month. The median and core measures declined to 2.9 and 3.0 per cent y/y, from 3.1 per cent in September. This is near the upper bound of the 1-3 per cent inflation target, while the 3-month trend in both measures slowed to 2.6 per cent. For the most part, inflation measures tracked above the current policy interest rate of 2.25 per cent. The Bank has stated that the current policy interest rate is at "about the right level", and today's inflation reading will do little to change that view, particularly given recent strength in the labour market and wages. Any change to the policy rate is unlikely before Q2 2026.

Bryan Yu

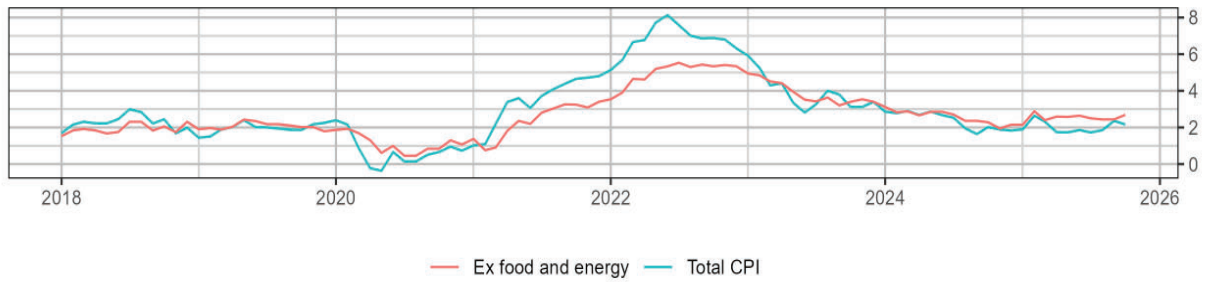
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Oct/2025		Canada Consumer Price Index				
Indicator	m/m ch.	prior m/m ch	y/y ch.	prior y/y ch.	3m ann % ch.	prior 3m ann % ch.
All-items, actual	0.2	0.1	2.2	2.4		
All-items, s.a.	0.1	0.4	2.2	2.3	3.0	3.0
Ex food and energy	0.7	-0.1	2.7	2.4		
Ex food and energy, s.a.	0.3	0.3	2.6	2.6	2.6	1.8
Select Products and Services						
Goods	-0.3	0.3	0.9	1.6		
Services	0.7	-0.1	3.2	3.0		
Food	-0.3	0.4	3.4	3.8		
Gasoline	-4.8	1.9	-9.4	-4.1		
Shelter	0.6	0.1	2.5	2.6		
Rent	1.0	0.5	5.2	4.8		
Mortgage Interest	0.1	0.2	2.9	3.6		
Homeowners Replacement	-0.1	-0.1	-1.6	-1.4		
CPI Ex Shelter	0.1	0.1	2.0	2.2		
Bank of Canada Core Measures						
Core Common			2.7	2.7		
Core Median			2.9	3.1		
Core Trim			3.0	3.1		
Core Median, s.a.	0.1	0.2	2.9	3.1	2.6	2.8
Core Trim, s.a.	0.2	0.2	3.0	3.1	2.6	2.6

Inflation Indicators

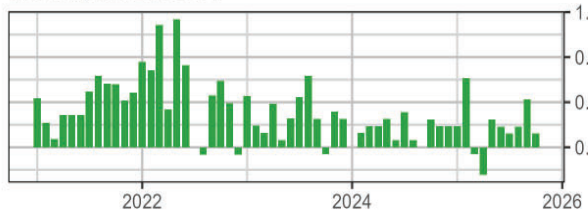
CPI Inflation, y/y % change

Last data point: 2025-10-01



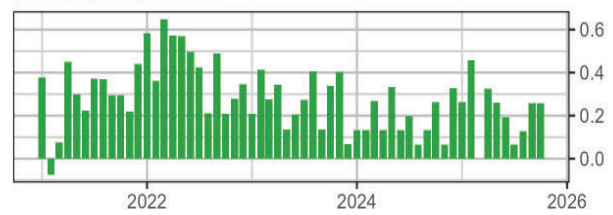
CPI sa, m/m % ch

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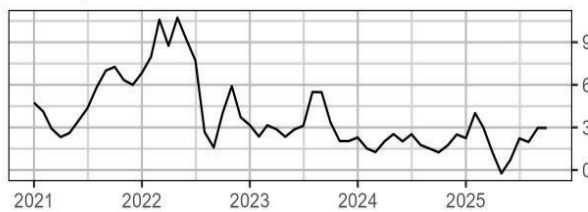
CPI ex food/energy sa, m/m % ch

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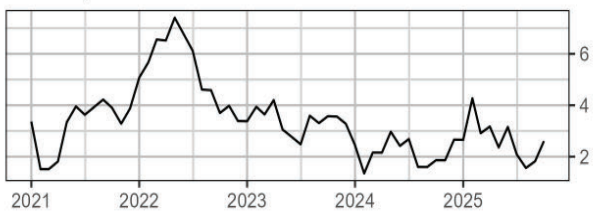
CPI sa, 3m ann. % ch

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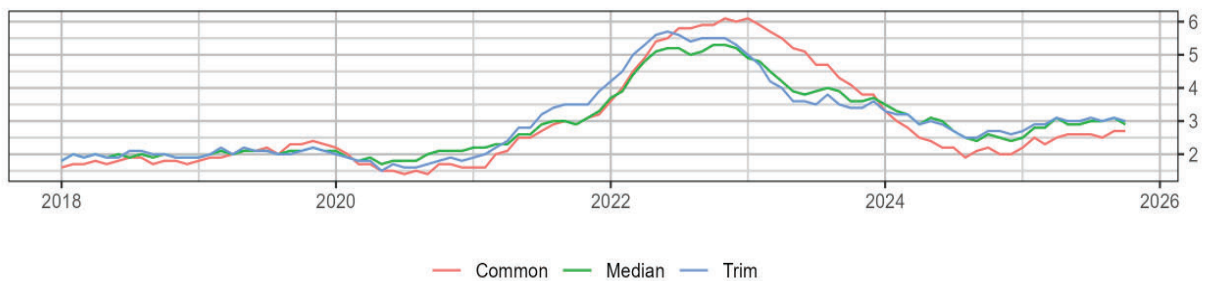
CPI ex food/energy sa, 3m ann. % ch

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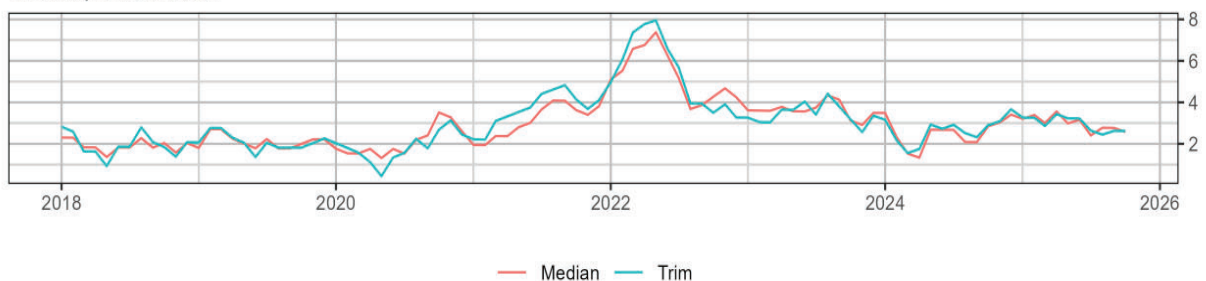
Bank of Canada Core Inflation, y/y % change

Last data point: 2025-10-01



Bank of Canada Core Inflation, 3m ann % change

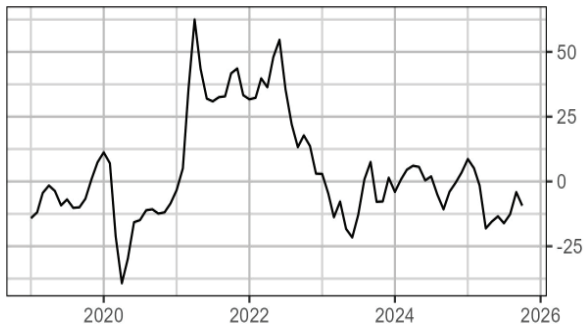
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Inflation Trends by Segment

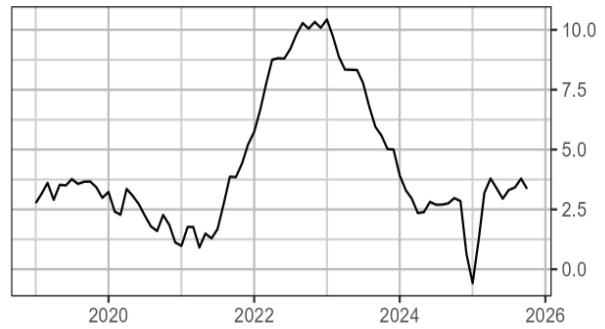
Gasoline, y/y % ch

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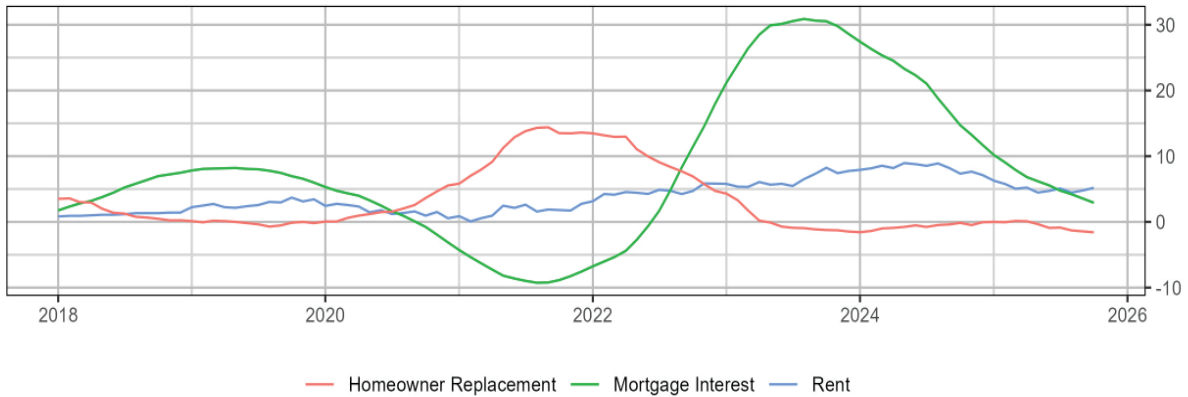
Food, y/y % ch

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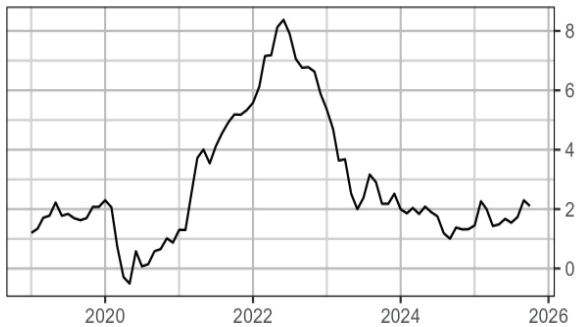
Shelter Inflation by Key component, y/y % change

Last data point: 2025-10-01



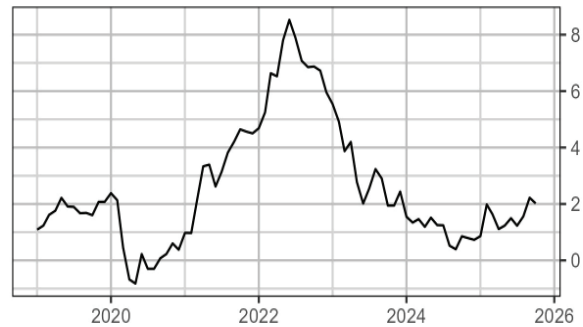
CPI ex mortgage, y/y % ch

Last data point: 2025-10-01



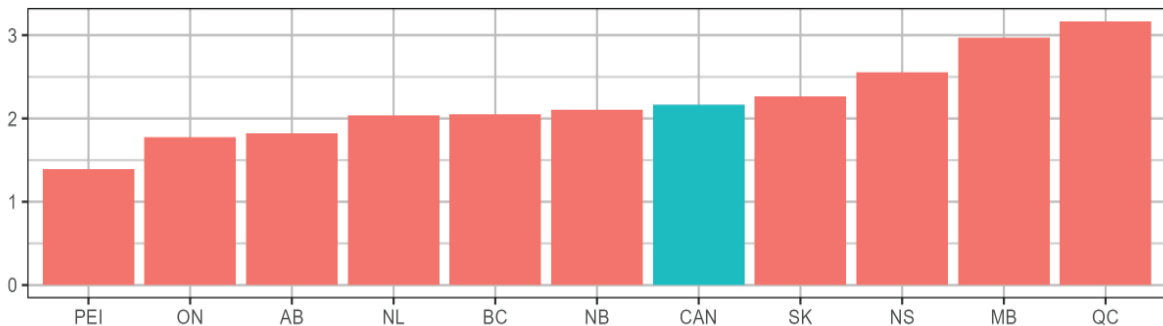
CPI ex shelter, y/y % ch

Last data point: 2025-10-01



CPI Inflation by Province, y/y %

Last data point: 2025-10-01



Statistics Canada, Central 1