



Inflation steady in January

Consumer prices held steady in January as Canada's consumer price index (CPI) decelerated to a 2.3 per cent y/y change from 2.4 per cent in December, while the price level was unchanged m/m. On a seasonally-adjusted basis, prices edged up by a mild 0.1 per cent which slowed after a December 0.3 per cent pop.

Headline inflation continued to be propped up by base year effects of the GST/HST tax holiday that was in place from December 2024 to February of 2025 that affected the prices of some essential goods, children's merchandise and some services representing about 10 per cent of all goods. However, dragging on growth was gasoline prices which rose 0.5 per cent from December but fell 16.7 per cent y/y, which was deeper than the 13.8 per cent drop in the prior month. This in part owed to a spike in prices the previous January.

The impact of the tax holiday remained visible in the key affected products. Food prices rose 7.3 per cent y/y, compared to 6.2 per cent the previous month. This owed entirely to restaurant meal prices, which rose 12.5 per cent from 8.5 per cent in December. Store-bought food prices rose at a still substantial 4.8 per cent y/y but slowed from 5.0 per cent. Many food products were already exempt from GST. Nevertheless, households remain strained by key staples including an acceleration in meat prices which rose 15.1 per cent y/y, up from 13.6 per cent (and driven by beef prices). Coffee rose 37.4 per cent y/y. A bright spot for consumers was fruit which fell 3.8 per cent and vegetables which declined 1.8 per cent. The impact of the GST holiday will be reversed over the next two months.

In other segments, shelter costs continued to ease. At 1.7 per cent year-over-year, shelter inflation continued the downward slide since March 2024 when growth was close to 6.5 per cent. Mortgage interest costs fell to 1.2 per cent on rate declines and stabilization, while rents are also turning over. The latter remained 4.3 per cent higher than a year ago but growth fell sharply from 4.9 per cent, amidst a downturn in market rents due to weak demand and significant supply of units.

Other notable highlights included a drop in cellular services price growth from 14.6 per cent to 4.9 per cent, on both easing prices and base year increases from a year ago. Furniture prices rose a mild 0.3 per cent as monthly prices declined, while clothing and footwear prices rose 0.8 per cent. Prices for vehicles rose 3.5 per cent y/y from 2.5 per cent in December. There are some signs that U.S. tariffs are having some effects on prices in global supply chains, but overall impact may be modest as firms absorb costs, while countries like Canada have limited retaliation. Services price growth (3.4 per cent) continued to outpace goods- price increases (0.9 per cent).

Broadly, inflation remains well-behaved. The headline measure at 2.3 per cent remains well anchored within the 1-3 per cent Bank of Canada target range and the three- month seasonally- adjusted trend is similar. Moreover, preferred core measures were similar with the median measure at 2.5 per cent, and the trim measure at 2.4 per cent. On an annualized three- month basis, growth was a tempered 1 to 1.5 per cent pace. Coupled together, underlying inflation is close to two per cent. The Bank of Canada is likely to be comfortable with these trends, and provided the economy does not rapidly erode, it will stay on the sidelines for much of this year given the structural issues currently facing the economy and limited impact of monetary policy.

Bryan Yu

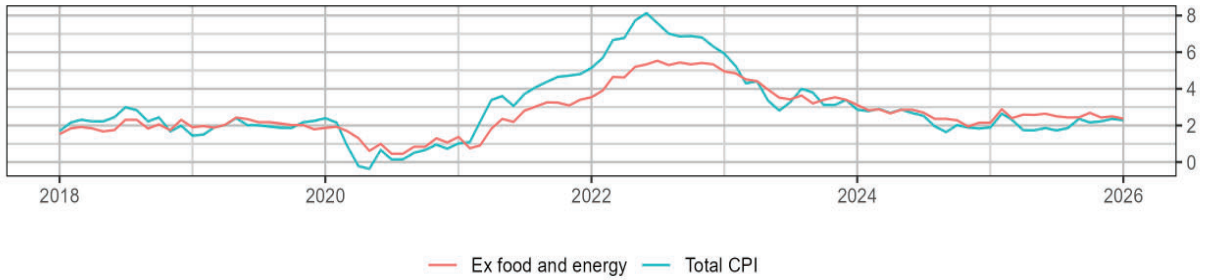
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Jan/2026		Canada Consumer Price Index					
Indicator	m/m ch.	prior m/m ch	y/y ch.	prior y/y ch.	3m ann % ch.	prior 3m ann % ch.	
All-items, actual	0.0	-0.2	2.3	2.4			
All-items, s.a.	0.1	0.3	2.3	2.3	2.4	2.7	
Ex food and energy	-0.2	0.0	2.4	2.5			
Ex food and energy, s.a.	0.1	0.3	2.4	2.4	1.8	2.3	
Select Products and Services							
Goods	0.8	-1.2	0.9	1.2			
Services	-0.6	0.5	3.4	3.3			
Food	0.5	0.1	7.3	6.2			
Gasoline	0.5	-7.1	-16.7	-13.8			
Shelter	-0.1	0.1	1.7	2.1			
Rent	-0.6	0.5	4.3	4.9			
Mortgage Interest	-0.3	-0.2	1.2	1.7			
Homeowners Replacement	-0.1	0.1	-1.7	-1.6			
CPI Ex Shelter	-0.1	-0.4	2.5	2.5			
Bank of Canada Core Measures							
Core Common			2.7	2.8			
Core Median			2.5	2.6			
Core Trim			2.4	2.7			
Core Median, s.a.	0.1	0.0	2.5	2.6	1.3	1.5	
Core Trim, s.a.	0.1	0.0	2.4	2.7	1.1	1.7	

Inflation Indicators

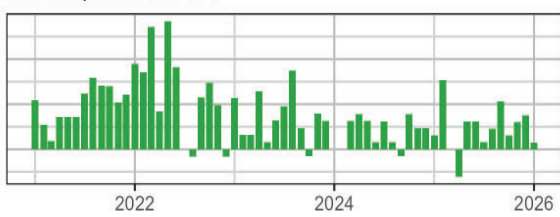
CPI Inflation, y/y % change

Last data point: 2026-01-01



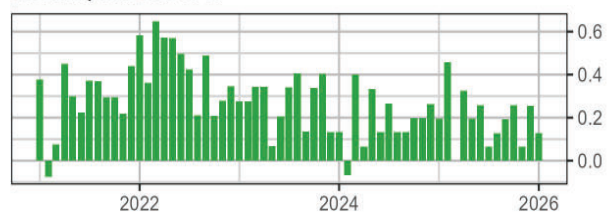
CPI sa, m/m % ch

Last data point: 2026-01-01



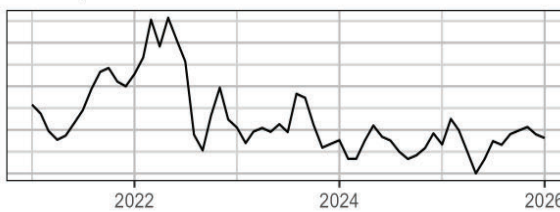
CPI ex food/energy sa, m/m % ch

Last data point: 2026-01-01



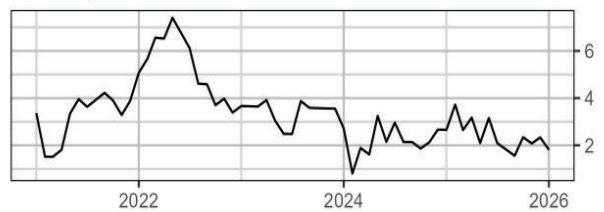
CPI sa, 3m ann. % ch

Last data point: 2026-01-01



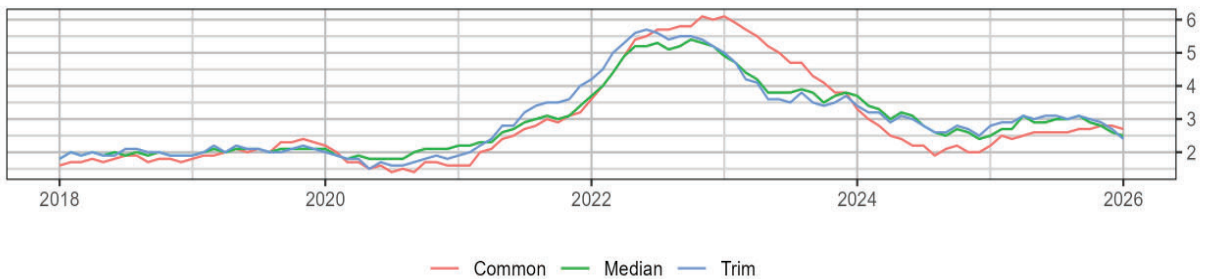
CPI ex food/energy sa, 3m ann. % ch

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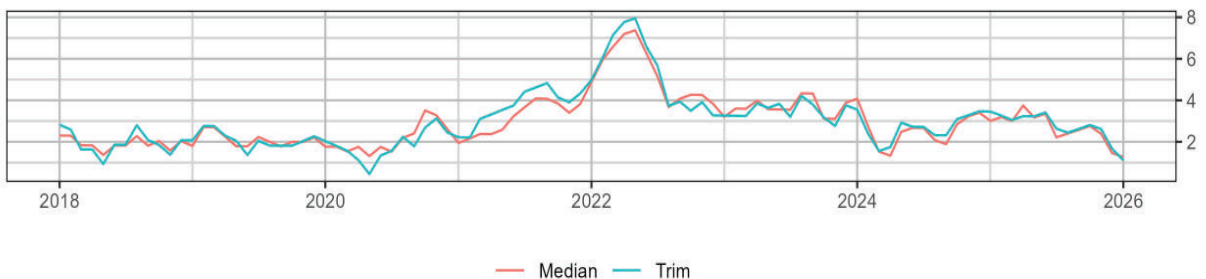
Bank of Canada Core Inflation, y/y % change

Last data point: 2026-01-01



Bank of Canada Core Inflation, 3m ann % change

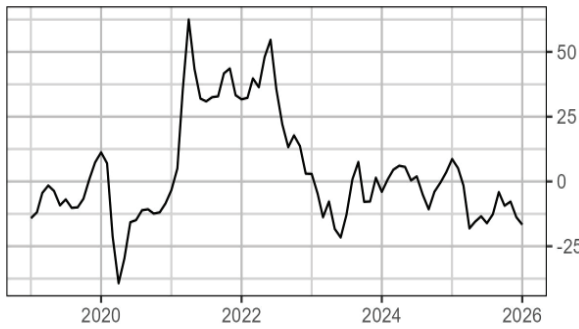
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Inflation Trends by Segment

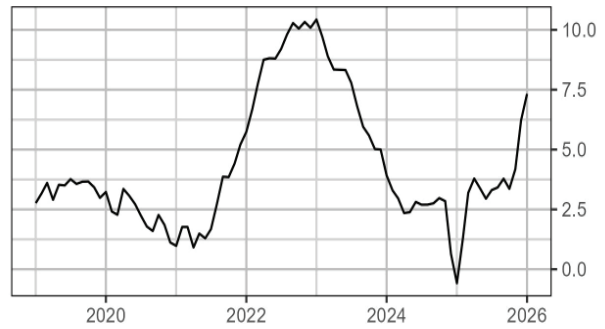
Gasoline, y/y % ch

Last data point: 2026-01-01



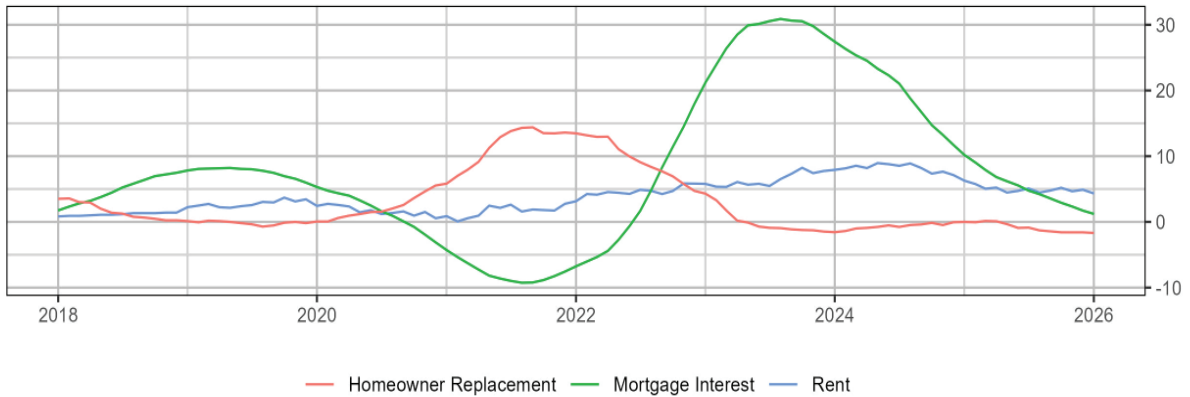
Food, y/y % ch

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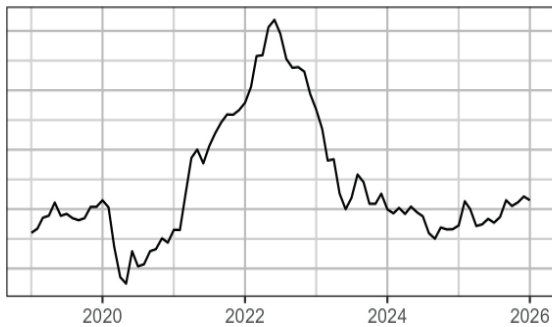
Shelter Inflation by Key component, y/y % change

Last data point: 2026-01-01



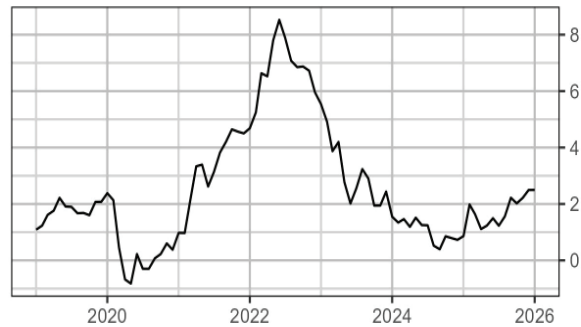
CPI ex mortgage, y/y % ch

Last data point: 2026-01-01



CPI ex shelter, y/y % ch

Last data point: 2026-01-01



CPI Inflation by Province, y/y %

Last data point: 2026-01-01

