



CPI inflation slows in February, but increase is expected as war in Middle East continues

Canadian consumer price inflation broadly cooled in February with headline year-over-year growth of 1.8 per cent, compared to a 2.3 per cent reading in January. Monthly prices rose 0.5 per cent, with the seasonally-adjusted growth at a mild 0.1 per cent. However, this progress will be fleeting as conflict in the Middle East, and a surge in oil prices drive energy prices higher.

Inflation pressures slipped across key consumer price segments in February. Some of this owed to base period effects of the GST/HST tax holiday that ran from December 14, 2024 through February 15, 2025. In recent months, this has inflated year-over-year price comparisons, with some of these impacts ending in February. About 10 per cent of the CPI basket was impacted by the tax holiday, specifically as it related to restaurant meals, grocery aisles, children's items, and alcohol. However, key measures of inflation were well-behaved. The Bank of Canada's core-median and core-trim measures decelerated to 2.3 per cent, down 0.1 to 0.2 points from January, while the 3-month annualized trend in these measures averaged near 1 per cent pointing to steady prices.

Growth in food prices fell to 5.4 per cent year-over-year, from 7.3 per cent in January, with restaurant meals down from 12.3 per cent to a still hefty 7.8 per cent year-over-year gain. That said, there was some easing in foods unaffected by the tax measure including fresh and frozen meats and vegetables.

Moreover, there was also some easing in shelter costs, which were up 1.5 per cent, compared to 1.7 per cent in January. Rent slowed to 3.9 per cent year-over-year, from 4.3 per cent, while growth in mortgage interest costs was less than one per cent, and homeowners' replacement costs fell 2.1 per cent. Lower prices, easing rents and steady interests continue to drive shelter price growth lower. In other prices, Canadians also got a break in the form of slower growth among more durable goods products such as vehicles, and furniture. Cellular service prices fell from January; lower year-over-year growth to 1.5 per cent from 4.9 per cent.

Gasoline prices are top of mind given events in the Middle East. Prior to war breaking out, gasoline prices rose 3.6 per cent m/m as concerns were rising, but fell 14.2 per cent y/y. Since the war broke out at the end of February, benchmark WTI crude prices have jumped by a third, and 40 per cent over the past year. Growth in retail gasoline prices means year-over-year gasoline prices will revert to near zero in March, with headline inflation pushing back towards three per cent. Energy prices have also been distorted by the removal of the carbon tax which has tempered year-over-year growth, but that impact fades in coming months.

The latest inflation data points to softening of general inflation prior to the war breaking out in the Middle East in late February. Coupled with last week's dismal labour market readings, economic readings have clearly soured. While this may provide an argument for the Bank of Canada to cut its policy rate, we see the uncertainty around the war and higher oil prices, and its potential persistence to keep the Bank on the sidelines.

Bryan Yu

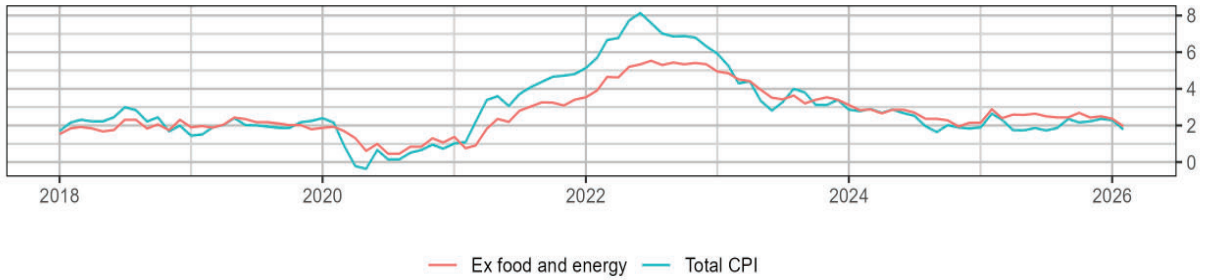
Chief Economist
Central 1 Credit Union
byu@central1.com

Feb/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	0.5	0.0	1.8	2.3			
All-items, s.a.	0.1	0.1	1.8	2.3	1.9	2.4	
Ex food and energy	0.5	-0.2	2.0	2.4			
Ex food and energy, s.a.	0.2	0.1	2.0	2.3	2.1	1.5	
Select Products and Services							
Goods	0.5	0.8	0.5	0.9			
Services	0.6	-0.6	2.7	3.4			
Food	0.0	0.5	5.4	7.3			
Gasoline	3.6	0.5	-14.2	-16.7			
Shelter	-0.1	-0.1	1.5	1.7			
Rent	-0.1	-0.6	3.9	4.3			
Mortgage Interest	-0.3	-0.3	0.7	1.2			
Homeowners Replacement	-0.5	-0.1	-2.1	-1.7			
CPI Ex Shelter	0.8	-0.1	1.9	2.5			
Bank of Canada Core Measures							
Core Common			2.4	2.7			
Core Median			2.3	2.5			
Core Trim			2.3	2.4			
Core Median, s.a.	0.1	0.1	2.3	2.5	1.3	1.3	
Core Trim, s.a.	0.0	0.1	2.3	2.4	0.7	1.1	

Inflation Indicators

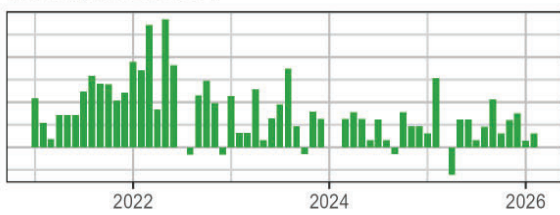
CPI Inflation, y/y % change

Last data point: 2026-02-01



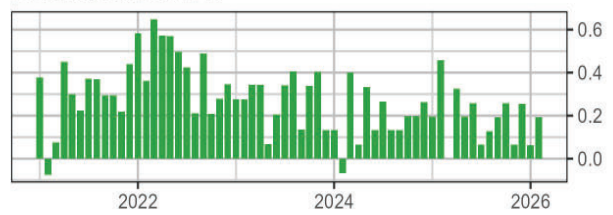
CPI sa, m/m % ch

Last data point: 2026-02-01



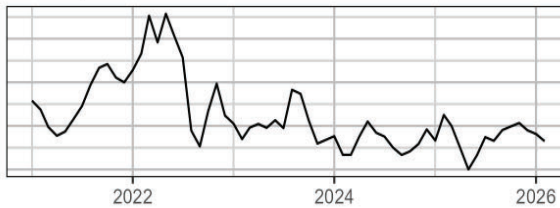
CPI ex food/energy sa, m/m % ch

Last data point: 2026-02-01



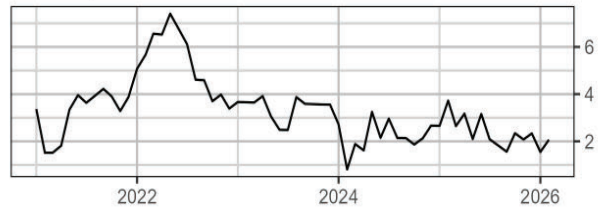
CPI sa, 3m ann. % ch

Last data point: 2026-02-01



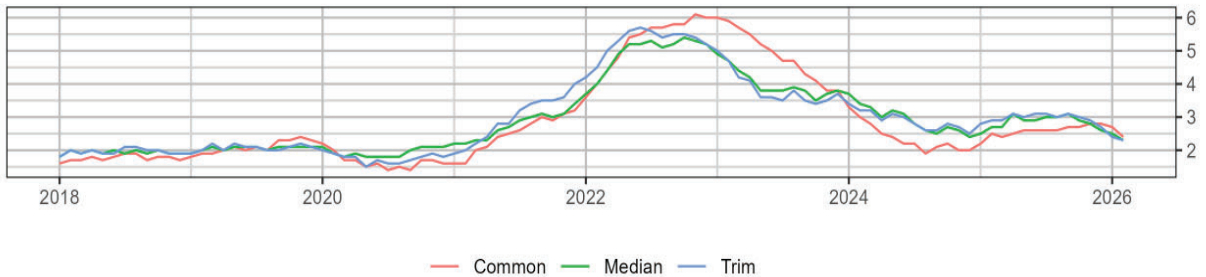
CPI ex food/energy sa, 3m ann. % ch

Last data point: 2026-02-01



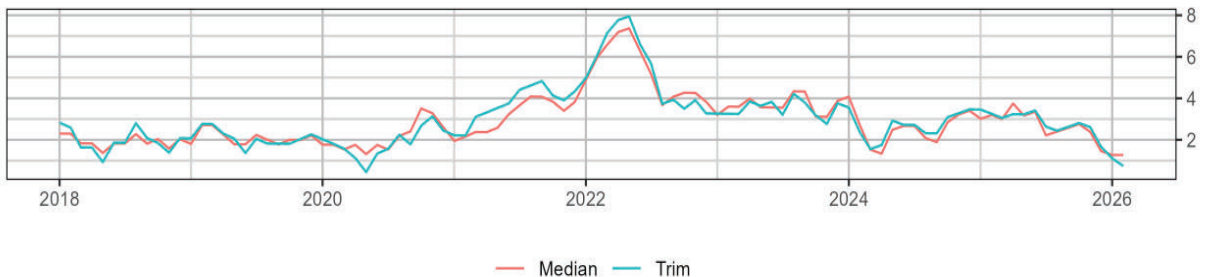
Bank of Canada Core Inflation, y/y % change

Last data point: 2026-02-01



Bank of Canada Core Inflation, 3m ann % change

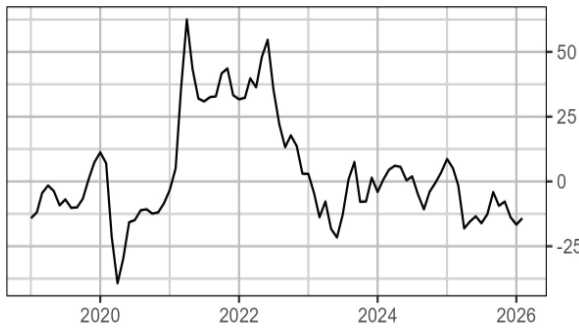
Last data point: 2026-02-01



Inflation Trends by Segment

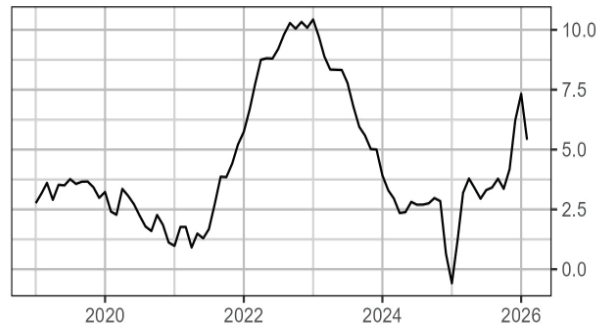
Gasoline, y/y % ch

Last data point: 2026-02-01



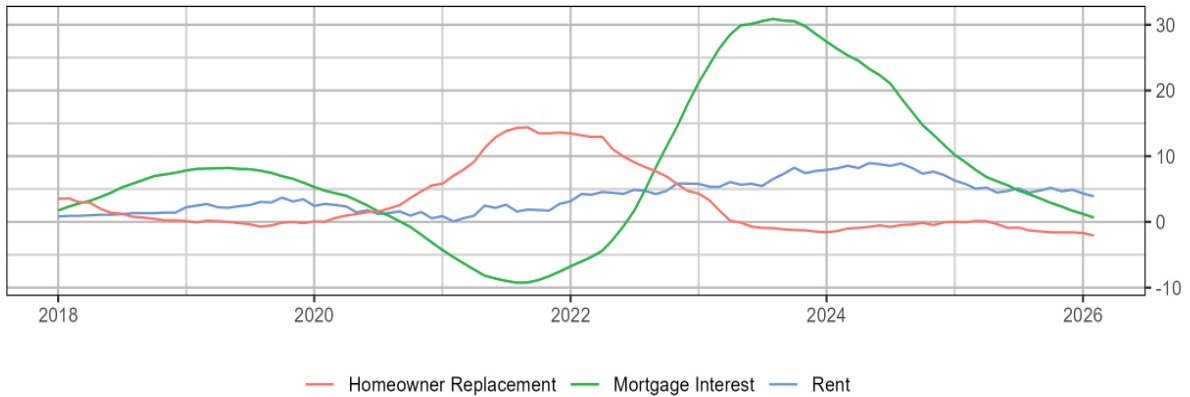
Food, y/y % ch

Last data point: 2026-02-01



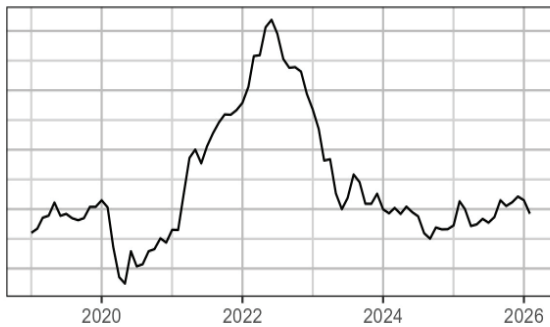
Shelter Inflation by Key component, y/y % change

Last data point: 2026-02-01



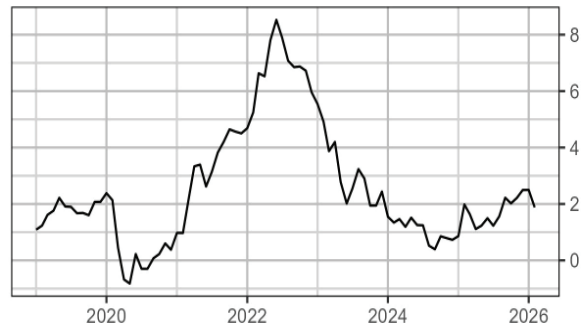
CPI ex mortgage, y/y % ch

Last data point: 2026-02-01



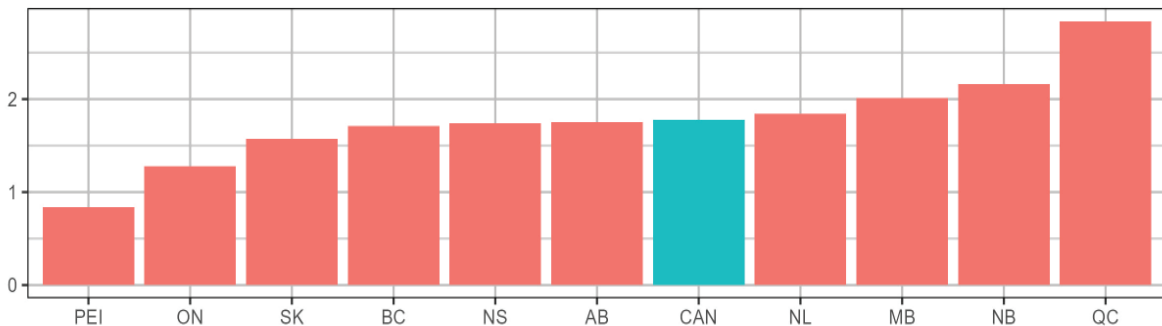
CPI ex shelter, y/y % ch

Last data point: 2026-02-01



CPI Inflation by Province, y/y %

Last data point: 2026-02-01



Statistics Canada, Central 1