



Consumer price inflation accelerates in March as retail gas prices jump 21 per cent

As expected, Canada's headline inflation increased sharply in March as passthrough of the Iran-war induced shock on oil prices to gasoline prices hit consumer wallets. The consumer price index (CPI) rose 2.4 per cent y/y, up from 1.8 per cent in February, and the highest since December. Prices were up 0.9 per cent m/m (0.5 per cent seasonally-adjusted), which was the sharpest since the Russia invasion of Ukraine in 2022. Core measures of inflation remained modest and closer to the Bank of Canada's target but also accelerated.

Driving CPI inflation was retail gasoline prices which rose a record 21 per cent from February, driven by an increase in the benchmark WTI crude price of about 40 per cent. Year-over-year, gas prices flipped from a drop of 14 per cent in February to +5.9 per cent. Gasoline prices averaged nearly 198 cents/litre in Vancouver, and 161.5 cents in Toronto in March with higher recent levels. Ongoing volatility in the Middle East is roiling oil and gasoline prices, but y/y growth will be higher in April due to lower prices in April 2025 following removal of the carbon tax levy, even as temporary federal measures to reduce gas taxes alleviate some pressure (estimated at 10 cents/litre). The war also drove higher prices for fuel and fuel oils (+26.1 per cent m/m), while natural gas prices which are domestically driven, fell 18.1 per cent as a partial offset.

Highlighting that March was an energy story, CPI excluding energy rose a more modest 0.2 per cent m/m and 2.3 per cent y/y. Generally, supply chains have yet to embed the impact of higher energy prices at the retail price level, while the latest figures continued to be impacted by previous tax measures.

Food prices nudged higher from February as y/y growth decreased from 5.4 to 4.0 per cent. That said, this was largely driven by the price of restaurant meals, which reported a decline from 7.8 per cent to 3.2 per cent owing to the base-year effect of the GST/HST tax break that ended in March of last year. Store-bought foods were less impacted, and price growth increased to 4.4 per cent from 4.1 per cent. The price of fresh vegetables jumped in March, driving a 7.8 per cent y/y increase, and there was less downward pressure on fruit prices. The GST/HST impact fell out of some other goods as well.

Growth in shelter costs nudged higher but remained negligible in March with y/y growth up to 1.7 per cent from 1.5 per cent. Rent accelerated to 4.2 per cent from 3.9 per cent, which is somewhat surprising given reported weakness in major markets. In contrast, mortgage interest was essentially unchanged from a year ago at 0.3 per cent, and lower home values are curbing replacement costs (-2.1 per cent).

Other notable changes included air transportation costs (+2.9 per cent y/y) which has seen some increase due to higher jet fuel costs. In contrast, there is disinflation in household furnishing, clothing/footwear, while vehicle prices rose.

While oil prices have driven inflation volatility, core measures of inflation were better behaved. The classic measure that excludes food and energy came in at 1.9 per cent (down from 2.0 per cent). The Bank of Canada's core- median and -trim measures were steady or down at 2.3 and 2.2 per cent. That said, the 3-month annualized seasonally adjusted trend increased with the median up from 1.3 to 2.0 per cent, while the trim accelerated from 0.7 to 1.3 per cent. This was still modest but dragged higher by energy prices.

With oil prices underpinning inflation growth, and modest trends in the economy, we expect the Bank of Canada to look through the spike even as levels continue to rise into April given the detrimental effects on consumers, and no impact of monetary policy on the war or oil prices. We see the Bank remaining on the sidelines through 2026. This will remain the case provided inflation expectations remain well anchored, but a prolonged war and pass through into supply chains could driver higher expectations and rate hikes.

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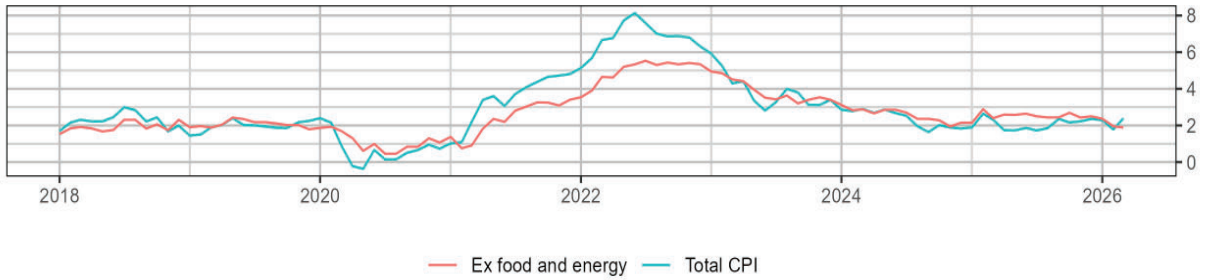
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Mar/2026		Canada Consumer Price Index					
Indicator	m/m ch.	prior m/m ch	y/y ch.	prior y/y ch.	3m ann % ch.	prior 3m ann % ch.	
All-items, actual	0.9	0.5	2.4	1.8			
All-items, s.a.	0.5	0.2	2.3	1.8	2.9	2.2	
Ex food and energy	0.1	0.5	1.9	2.0			
Ex food and energy, s.a.	0.0	0.1	2.0	2.0	0.8	1.8	
Select Products and Services							
Goods	1.9	0.5	2.1	0.5			
Services	0.1	0.6	2.5	2.7			
Food	0.3	0.0	4.0	5.4			
Gasoline	21.2	3.6	5.9	-14.2			
Shelter	0.3	-0.1	1.7	1.5			
Rent	0.5	-0.1	4.2	3.9			
Mortgage Interest	-0.2	-0.3	0.3	0.7			
Homeowners Replacement	0.2	-0.5	-2.1	-2.1			
CPI Ex Shelter	1.1	0.8	2.6	1.9			
Bank of Canada Core Measures							
Core Common			2.6	2.4			
Core Median			2.3	2.3			
Core Trim			2.2	2.3			
Core Median, s.a.	0.2	0.1	2.3	2.3	2.0	1.3	
Core Trim, s.a.	0.2	0.0	2.2	2.3	1.3	0.7	

Inflation Indicators

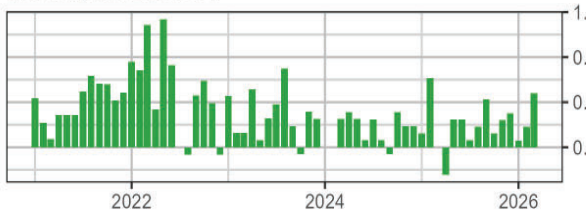
CPI Inflation, y/y % change

Last data point: 2026-03-01



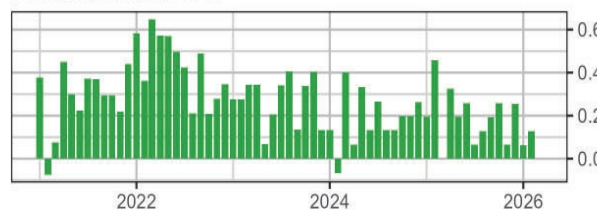
CPI sa, m/m % ch

Last data point: 2026-03-01



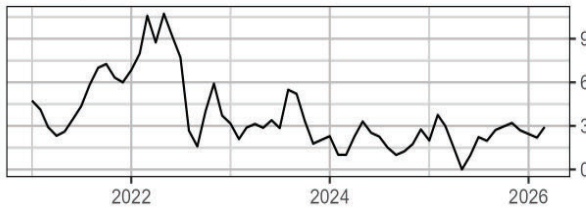
CPI ex food/energy sa, m/m % ch

Last data point: 2026-03-01



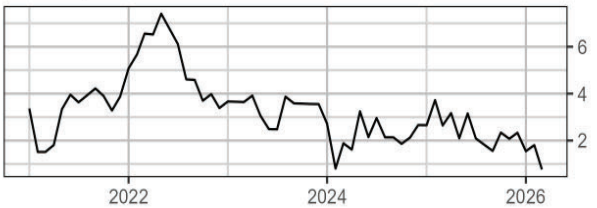
CPI sa, 3m ann. % ch

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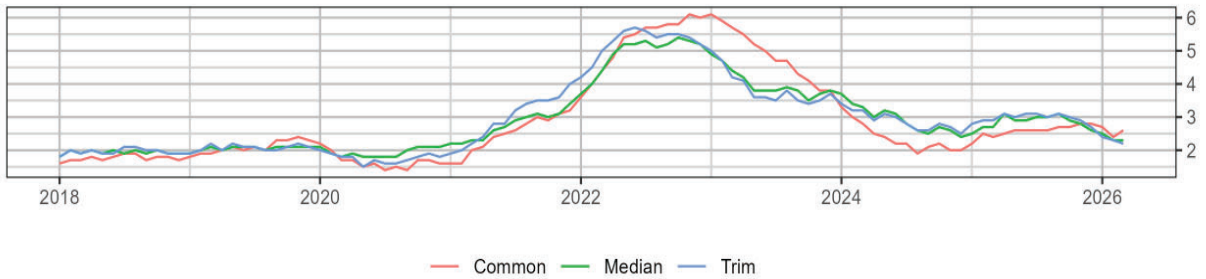
CPI ex food/energy sa, 3m ann. % ch

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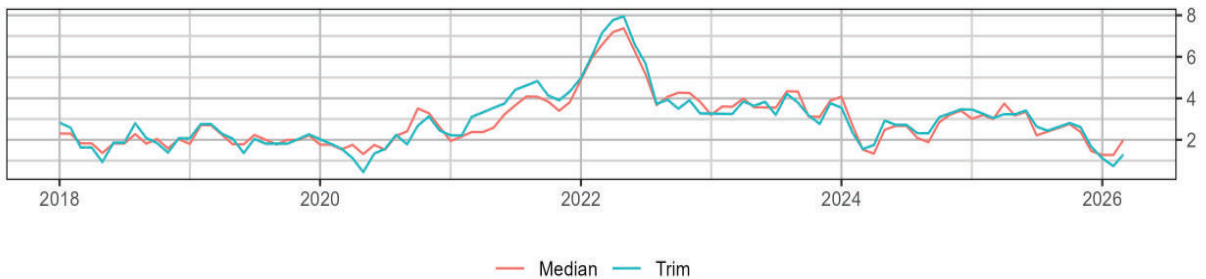
Bank of Canada Core Inflation, y/y % change

Last data point: 2026-03-01



Bank of Canada Core Inflation, 3m ann % change

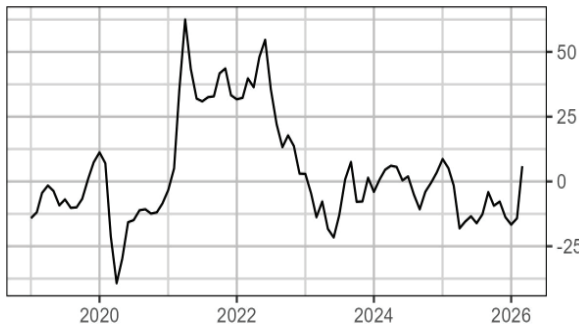
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Inflation Trends by Segment

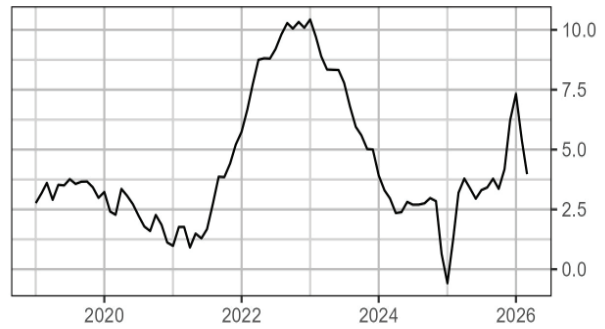
Gasoline, y/y % ch

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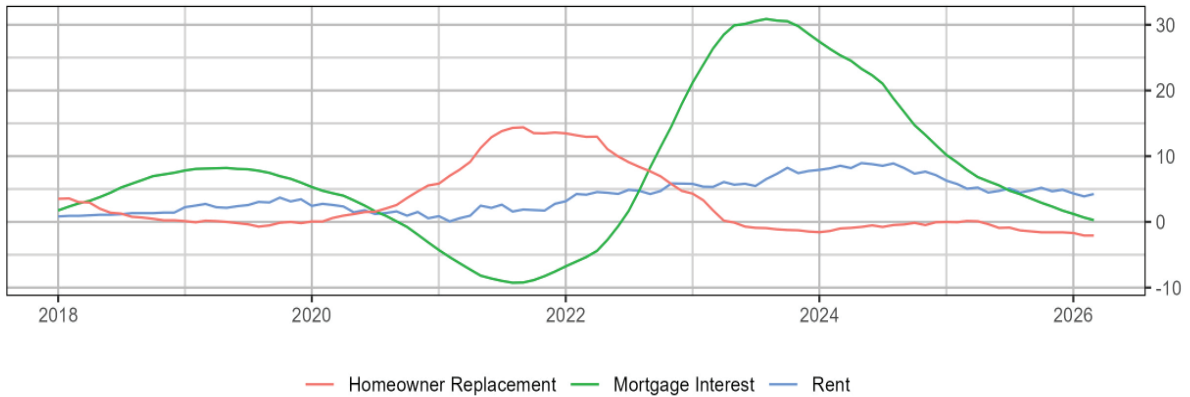
Food, y/y % ch

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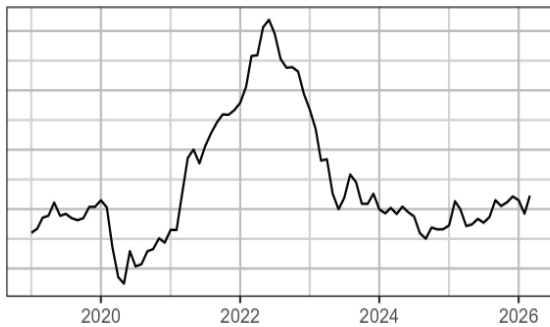
Shelter Inflation by Key component, y/y % change

Last data point: 2026-03-01



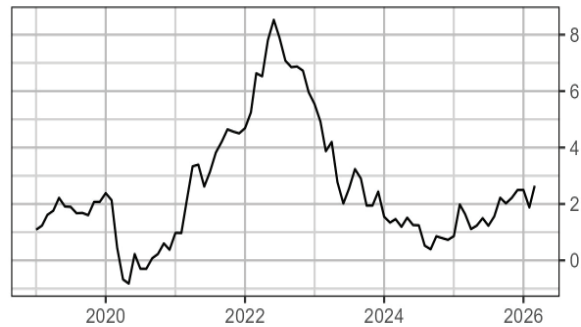
CPI ex mortgage, y/y % ch

Last data point: 2026-03-01



CPI ex shelter, y/y % ch

Last data point: 2026-03-01



CPI Inflation by Province, y/y %

Last data point: 2026-03-01

