

April 18, 2023

## March brought more improvements in Canadian CPI

- Headline inflation rate in Canada posted largest slowing since early pandemic - dropping to 4.3% in March from 5.2% in February.
- Much of the easing was explained by lower energy inflation (-6.9%). Energy prices this March were below a year ago when the Russian invasion of Ukraine sparked concerns about global oil supply and pushed commodity prices higher.

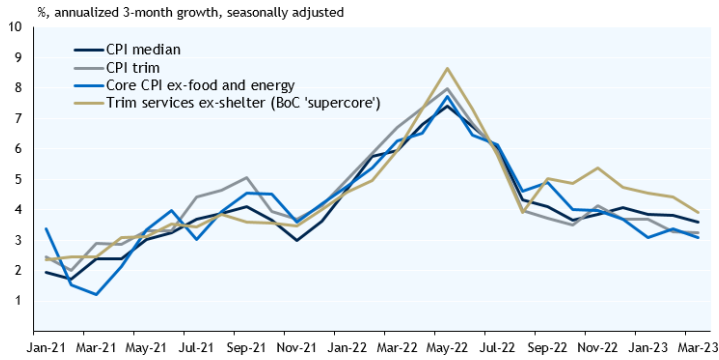
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- But price pressure was also moderating for food (+8.9%) and other goods and services excluding food and energy (+4.5%). Growth in food prices was still high in March but continued to slow after peaking in January 2023.
- Biggest upward contributors to core price gain in March include travel tours and car purchases, offsetting smaller declines in fuel oil and home-owning related expenses.
- The BoC's preferred core measures – CPI trim and median and the newly introduced “super core” or CPI trim services ex-shelter all slowed modestly – averaging a 3.6% annualized over the last three months.
- The share of the consumer price basket growing above the BoC's 1% to 3% target range was little changed at 54% in March on a 3-month annualized basis, but down from a peak closer to 80% in summer 2022.
- **Bottom line:** Inflation is still running above the Bank of Canada's target, but has shown persistent signs of easing. Interest rate increases over the last year are expected to continue to filter through to raise household debt payments with a lag. That should keep slowing consumer spending, and further ease price pressure ahead. Core CPI readings are expected to return back to around 3% (the top end of the BoC target range) by the end of this year. The BoC is expected to stay on the sideline until that happens, holding the overnight rate at the current 4.5%.

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## BoC's preferred inflation measures continue to improve



## Canadian CPI Inflation

	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
<i>m/m % change</i>					
All Items CPI	0.1	-0.6	0.5	0.4	0.5
Food	1.2	0.3	1.7	0.6	0.2
Energy	-1.5	-7.9	1.3	-1.2	0.7
All items ex-food & energy	0.1	-0.1	0.2	0.5	0.6
<i>y/y % change</i>					
All Items CPI	6.8	6.3	5.9	5.2	4.3
Food	10.3	10.1	10.4	9.7	8.9
Energy	13.9	7.3	5.4	-0.6	-6.9
All items ex-food & energy	5.4	5.3	4.9	4.8	4.5
<b>BoC 'Core' Measures</b>					
CPI-Trim	5.5	5.3	5.1	4.8	4.4
CPI-Median	5.3	5.2	5.1	4.9	4.6
CPI-Common	6.8	6.6	6.6	6.4	5.9

Source: Statistics Canada, RBC Economics