

May 16, 2023

Canadian inflation picked up in April

- Headline inflation rate in Canada accelerated slightly in April, to 4.4% from 4.3% in March. That's above our own and consensus expectations.
- A 6.2% increase in monthly gasoline prices drove energy inflation higher, to a still-low -4.2% in April. That was offset by slower inflation for food (+8.3%) and other non-food and energy products and services (+4.4%).
- Growth in prices for most grocery items remains elevated but has been moderating. Bakery and cereal products are the ones still seeing +10% yearly inflation. Moving forward, lower raw agriculture commodity prices and transport costs should keep food inflation drifting lower.
- Shelter was the largest contributor to headline CPI in April, accounting for a third of the growth. Inflation for rent (6.1%) and mortgage interests costs (+28.5%) both picked up again, although the latter is set to slow, following Bank of Canada's pause on interest rate hikes.
- Among other shelter components, home-buying costs edged down again in April but are at or close to their near-term bottom with early signs house prices may have bottomed.
- The BoC's preferred core measures – CPI trim and median and the newly introduced “super core” (or CPI trim services ex-shelter) all picked up in April – averaging around 3.9% annualized over the last three months.
- **Bottom line:** Inflation in Canada accelerated in April, but has still on balance been easing since peaking in summer 2022. Early signs that the lagged impact of higher interest rates are weighing on economic growth suggest underlying price pressures should continue to ease. The BoC is expected to stay on the sideline for the remainder of the year.

Canadian CPI Inflation

	Jan-23	Feb-23	Mar-23	Apr-23
	<i>m/m % change</i>			
All Items CPI	0.5	0.4	0.5	0.7
Food	1.7	0.6	0.2	0.4
Energy	1.3	-1.2	0.7	3.4
All items ex-food & energy	0.2	0.5	0.6	0.5
	<i>y/y % change</i>			
All Items CPI	5.9	5.2	4.3	4.4
Food	10.4	9.7	8.9	8.3
Energy	5.4	-0.6	-6.9	-4.2
All items ex-food & energy	4.9	4.8	4.5	4.4

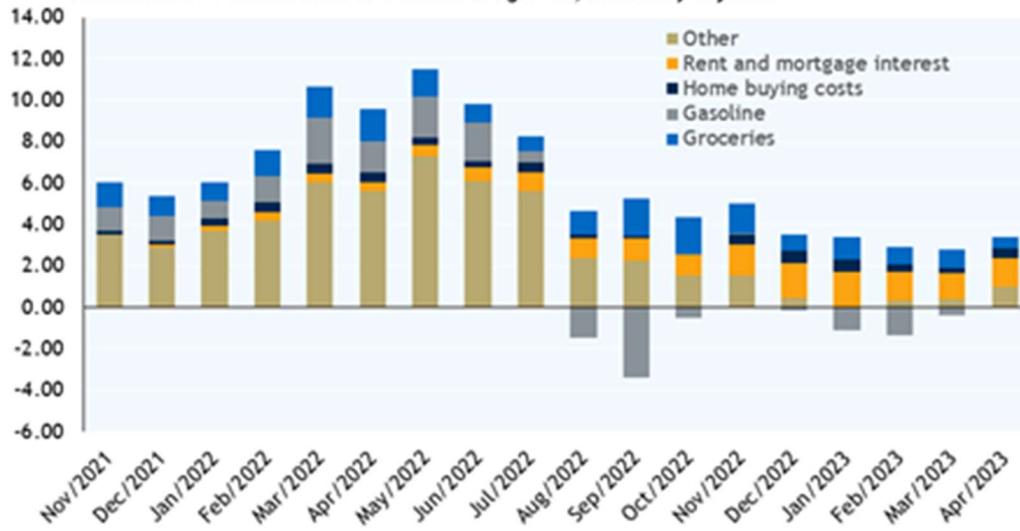
Source: Statistics Canada, RBC Economics

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Canadian CPI growth sticking higher in April

Annualized PPT contribution to 3-month CPI growth, seasonally adjusted



Source: Statistics Canada, RBC Economics Research