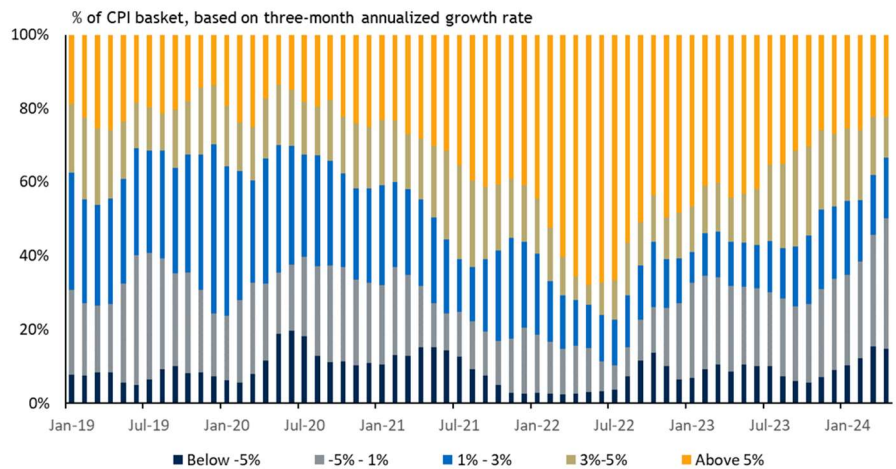


May 21, 2024

Canadian inflation pressures eased again in April

- CPI growth decelerated to 2.7% year-over-year from 2.9% in March, remaining below the upper end of the Bank of Canada's 1% to 3% target range for the fourth consecutive month and with details pointing to further softening in underlying inflation trends.
- Energy price growth accelerated to 4.5% year-over-year due to higher gasoline prices (+6.1% from the prior year), boosted by higher oil prices and the annual rise in the federal carbon tax.

Scope of inflation pressures is narrowing down in Canada



- Food inflation continued to slow, dipping to 2.3% in April from 3.0% in March. Price growth at grocery stores decreased to 1.4% from 1.9% in the prior month. And price growth for dining out dipped to 4.3% in April, versus the 5.1% in March.
- The Bank of Canada's preferred core measures slowed further, with the median and trim measures easing to 2.6% and 2.9% above year-ago levels, respectively. The more recent 3-month annualized growth rates for both (closely monitored by the BoC) ticked slightly higher but were still at rates below the 2% inflation target.
- Excluding food and energy components, inflation eased to 2.7% from a year ago. On a month-over-month basis, it decelerated to 0.1% in April from 0.2% in March. Rising rent and mortgage interest costs continue to account for a disproportionate share of price growth with shelter costs up 6.4% year-over-year. Growth in mortgage interest costs slightly decreased in April but remained 24.5% higher than a year ago.
- The breadth of inflationary pressures narrowed again in April, with the proportion of the CPI basket experiencing growth exceeding 3% decreasing to 34% from 38% in March.
- **Bottom line:** April's inflation readings largely met expectations, but with underlying details (including further slowing in the BoC's preferred 'core' measures) pointing to further reduction in inflationary pressures. The Bank of Canada is

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as concerned about where inflation will go in the future as where it is right now, but a persistently softer economic backdrop in Canada (declining per-capita GDP and rising unemployment rate) increases the odds that price growth will continue to slow. The case for interest rate cuts from the Bank of Canada continues to build, with today's report in line with our own base case for a first cut in June.

Canadian CPI					
	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
	<i>m/m % change (not seasonally adjusted)</i>				
All Items CPI	-0.3	0.0	0.3	0.6	0.5
Food	0.3	0.7	0.0	-0.2	-0.2
Energy	-2.6	-1.1	2.8	2.1	5.1
All items ex-food & energy	-0.3	-0.1	0.2	0.7	0.3
	<i>y/y % change</i>				
All Items CPI	3.4	2.9	2.8	2.9	2.7
Food	5.0	3.9	3.3	3.0	2.3
Energy	-0.4	-2.7	1.3	2.8	4.5
All items ex-food & energy	3.4	3.1	2.8	2.9	2.7
BoC 'Core' Measures					
CPI-Trim	3.7	3.4	3.2	3.2	2.9
CPI-Median	3.4	3.2	3.1	2.9	2.6

Source: Statistics Canada, RBC Economics