

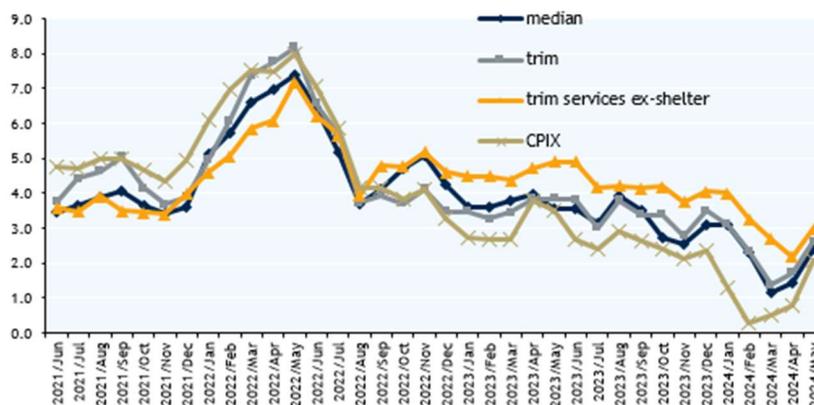
June 25, 2024

Canadian CPI growth ticked higher in May

- The increase in CPI growth (to 2.9% year-over-year from 2.7% in April) was the first upside surprise of 2024 following a string of softer readings.
- The headline increase largely reflected an acceleration in underlying 'core' measures of price growth - lower oil prices caused energy price growth to slow slightly and food price growth was little changed.

BoC's preferred core measures grew faster in May

Seasonally adjusted 3mth moving average annualized %



Source: Statistics Canada, RBC Economics calculations

- Excluding food and energy, price growth rose to 2.9% year-over-year from 2.7% in April, with the gain led by higher travel prices (airfares, travel tours, and traveler accommodation)
- The BoC's preferred 'core' median and trim measures both posted their largest increases since December with 0.3% month-over-month gains that pushed year-over-year growth rates for the median and trim measures to 2.8% and 2.9%, respectively.
- The BoC's trim services ex-shelter index also rose 0.3% month-over-month, by our count, with the year-over-year growth rate holding steady at 3.6%.
- The 3-month average share of the CPI basket growing at a faster than 3% rate in May (another metric the BoC has been watching closely) was little-changed by our count at 36% (and still close to 'normal' pre-pandemic levels)
- **Bottom Line:** The acceleration in May CPI growth is the first significant upside surprise of 2024. The closely-watched 3 month growth rates for the median and trim measures ticked back above the 2% inflation target, but year-to-date (5-month average) increases are still essentially bang-on 2%. The BoC is highly data dependent, and the upside surprise in May CPI growth will put more focus on the

Nathan Janzen | Assistant Chief Economist, RBC Economics | Royal Bank of Canada | T. (416) 974-0569
For more economic research, visit our website at <https://thoughtleadership.rbc.com/economics/>

The material contained in this report is the property of Royal Bank of Canada and may not be reproduced in any way, in whole or in part, without express authorization of the copyright holder in writing. The statements and statistics contained herein have been prepared by RBC Economics Research based on information from sources considered to be reliable. We make no representation or warranty, express or implied, as to its accuracy or completeness. This publication is for the information of investors and business persons and does not constitute an offer to sell or a solicitation to buy securities.

June CPI numbers to be released ahead of the next policy rate decision in July. But softening per-capita GDP and rising unemployment also increase the odds that price growth will continue to broadly slow.

Canadian CPI					
	<u>Jan-24</u>	<u>Feb-24</u>	<u>Mar-24</u>	<u>Apr-24</u>	<u>May-24</u>
	<i>m/m % change (not seasonally adjusted)</i>				
All Items CPI	0.0	0.3	0.6	0.5	0.6
Food	0.7	0.0	-0.2	-0.2	0.9
Energy	-1.1	2.8	2.1	5.1	-1.1
All items ex-food & energy	-0.1	0.2	0.7	0.3	0.6
	<i>y/y % change</i>				
All Items CPI	2.9	2.8	2.9	2.7	2.9
Food	3.9	3.3	3.0	2.3	2.4
Energy	-2.7	1.3	2.8	4.5	4.1
All items ex-food & energy	3.1	2.8	2.9	2.7	2.9
BoC 'Core' Measures					
CPI-Trim	3.3	3.2	3.1	2.8	2.9
CPI-Median	3.2	3.1	2.8	2.6	2.8
Trim services ex-shelter	4.3	4.0	3.9	3.6	3.6

Source: Statistics Canada, RBC Economics