

## Canada: Inflationary pressures eased in March

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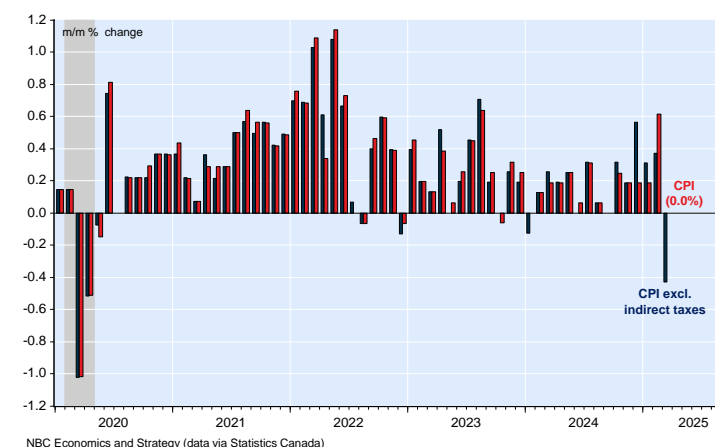
### Highlights:

- The Consumer Price Index increased by 0.31% in March, below the consensus estimate of +0.7% (in non-seasonally adjusted terms). This was the first full month without the temporary GST holiday and the monthly inflation print was upwardly affected by the discontinuation.
- In seasonally adjusted terms, headline prices were flat (0.0%) following a 0.62% uptick in February. This translated to an annual inflation rate of 2.3%, down three ticks from the prior 2.6% print, and four ticks below the median estimate. Prices in March increased in 4 of the 8 categories surveyed, starting with alcoholic beverages/tobacco (+2.1%), food (+1.9%), followed by health/personal care (+0.3%), and shelter (+0.2%). Prices were flat for clothing/footwear. On the flip side, prices decreased for recreation/education (-2.1%), transportation (-0.9%), and household ops/furnishings (-0.2%).
- Looking at a regional perspective, the annual inflation data was above the national average in Manitoba (+3.0%), Alberta (+2.8%), B.C. (+2.6%) and Saskatchewan (+2.5%). It was in-line for Ontario (+2.3%) while printing below the mark in Quebec (+1.9%).
- Core inflation measures were as follows: 2.8% for CPI trim and 2.9% for CPI median, declining one tick for the former (below expectations) and remaining the same for the latter (matching expectations).
- See the next page for more details.

The CPI data for March showed a respite from inflationary pressures in the country, with annual inflation coming in 0.4% below consensus expectations in March. The end of the GST holiday had an upward impact on prices this month. Excluding indirect taxes, prices fell by 0.4% after seasonal adjustment, the most pronounced decline since April 2020 when the economy was put on hold due to the pandemic (top chart). There are certainly some specific factors that explain this weakness, namely travel tours, airfares and cellular services prices. However, the measures favoured by the central bank were also weak in March, which testifies to the generalised nature of the weakness. The CPI-Trim and the CPI-Median increased at a rate of only 0.14%, their lowest rate in 13 months. On a 3-month annualized basis, both measures are back in the BoC target range (1.0% to 3.0%) increasing respectively at 2.7% and 2.8% (bottom chart). The last few months had been surprising as inflationary pressures rapidly intensified with an economic upturn despite numerous signs of an economy that remained in excess capacity. Indeed, a small proportion of companies continued to claim that they would not be able to meet additional demand or were experiencing labour shortages. In this sense, a return to more moderate inflationary pressures is not surprising, especially as several economic indicators began to show weakness, including the labour market in March. Given the tariff uncertainties that are paralysing several companies and are likely to lead to further weakness, we reiterate that the upsurge in inflation was temporary, especially since the Canadian government does not seem inclined to implement strong retaliatory tariffs. In such a context, the Bank of Canada should be in a position to further deliver interest rate cuts this year (key rate forecast at 2.0% at the end of the year).

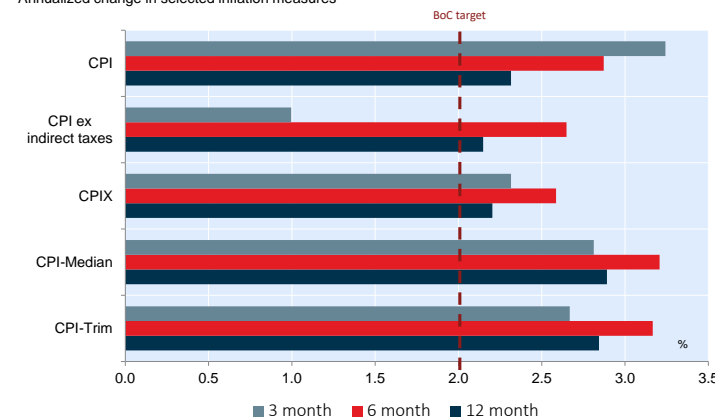
### Canada: CPI excluding indirect taxes at its lowest since April 2020

Consumer price index including and excluding indirect taxes



### Canada: Core inflation momentum has moderated

Annualized change in selected inflation measures





	Year over year					3-m annualized change, seasonally adj.				1-m change, seasonally adj.			
	20-year average	12 months ago	Mar-25	Feb-25	1-month trend	12 months ago	Mar-25	Feb-25	1-month trend	12 months ago	Mar-25	Feb-25	1-month trend
Headline	2.2	2.9	2.3	2.6	▼	1.3	3.2	4.0	▼	0.19	0.00	0.62	▼
Food	3.1	3.0	3.2	1.3	▲	1.3	11.0	-3.3	▲	0.11	1.90	1.93	▼
Shelter	2.8	6.5	3.9	4.2	▼	4.8	2.6	3.1	▼	0.39	0.16	0.16	▼
Household operations, furnishings and equip.	1.3	-2.3	0.8	0.8	▲	-1.5	5.0	4.1	▲	-0.15	-0.15	0.46	▼
Clothing and footwear	-0.3	-2.7	0.2	1.4	▼	-11.1	5.7	6.2	▼	1.40	0.00	0.43	▼
Transportation	2.3	3.0	1.2	3.0	▼	0.5	-2.5	6.7	▼	0.47	-0.86	-0.17	▼
Health and personal care	1.9	3.2	2.5	2.4	▲	4.4	1.6	1.9	▼	0.07	0.26	0.33	▼
Recreation, education and reading	1.2	1.9	0.9	3.7	▼	1.9	-0.6	10.4	▼	0.55	-2.06	1.63	▼
Alcoholic beverages and tobacco products	2.6	3.2	2.4	0.6	▲	2.5	9.6	-6.1	▲	0.26	2.05	1.66	▲
CPI-median	2.3	3.2	2.9	2.9	►	1.7	2.8	3.4	▼	0.19	0.14	0.37	▼
CPI-trimmed	2.2	3.2	2.8	2.9	▼	1.6	2.7	3.3	▼	0.24	0.14	0.24	▼
All-items excluding food	2.0	2.9	2.1	2.9	▼	1.0	1.8	5.2	▼	0.26	-0.32	0.44	▼
All-items excluding food and energy	1.9	2.9	2.4	2.9	▼	2.2	2.6	4.3	▼	0.27	-0.07	0.46	▼
All-items ex. 8 most volatile and indirect taxes	2.0	2.0	2.2	2.7	▼	0.5	2.3	4.4	▼	0.19	-0.19	0.38	▼
All-items excluding MIC	2.1	2.0	2.0	2.3	▼	-	-	-	-	-	-	-	-
Energy	2.6	2.8	-0.3	3.0	▼	-	-	-	-	-	-	-	-
Electricity	2.5	6.5	0.8	0.1	▲	-	-	-	-	-	-	-	-
Natural gas	1.0	-10.5	6.4	1.8	▲	-	-	-	-	-	-	-	-
Fuel oil and other fuels	4.1	-2.7	1.1	1.4	▼	-	-	-	-	-	-	-	-
Gasoline	3.0	4.5	-1.6	5.1	▼	-	-	-	-	-	-	-	-
Fuel, parts and accessories for recreational vehicles	3.2	3.8	-1.6	4.1	▼	-	-	-	-	-	-	-	-

	Year-over-year percentage change												
	All prices			All items excluding food and energy		Goods		Goods excluding food and energy*		Services		Services excluding food and shelter*	
	20-year average	Latest	Prior month	20-year average	Latest	20-year average	Latest	20-year average	Latest	20-year average	Latest	20-year average	Latest
Canada	2.2	2.3	2.6	1.9	2.4	1.7	1.3	0.7	1.0	2.6	3.1	2.2	1.9
Ontario	2.2	2.3	2.7	2.0	2.3	1.6	1.3	0.7	2.3	2.7	3.0	2.3	2.0
Québec	2.1	1.9	2.0	1.8	2.0	1.6	0.6	0.9	1.4	2.5	3.3	2.2	1.4
British Columbia	2.0	2.6	3.0	1.7	2.8	1.7	1.6	0.8	1.2	2.3	3.4	2.2	3.5
Alberta	2.4	2.8	2.8	2.2	3.0	1.8	2.0	0.7	1.0	3.0	3.5	2.3	2.1
Manitoba	2.2	3.0	3.5	2.0	2.3	1.7	3.0	1.0	0.9	2.8	3.0	2.1	1.0
Saskatchewan	2.2	2.5	3.1	2.0	2.3	1.7	1.7	0.9	0.3	2.8	3.3	2.2	1.2
Nova Scotia	2.3	2.3	2.1	1.9	2.6	2.0	1.1	1.1	2.1	2.5	3.5	2.1	1.4
New Brunswick	2.1	1.9	2.0	1.7	1.9	2.0	0.9	1.1	3.5	2.3	3.2	2.0	2.3
Newfoundland and Labrador	2.2	1.1	1.2	1.7	0.6	2.0	0.6	1.0	-0.5	2.4	1.6	1.8	0.3
Prince Edward Island	2.2	1.8	2.0	1.8	1.7	2.3	1.7	1.3	2.0	2.2	1.9	2.0	0.9

\*In-house calculation

NBC Economics and Strategy (data via Statistics Canada)



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