

Daily Economic Update

April 21, 2017

Canadian CPI growth moderated further in March

The dip in the headline CPI year-over-year rate of growth to 1.6% from 2.0% in February provides little evidence that stronger recent economic growth is generating greater underlying inflation pressures. The latest monthly dip in part reflected a moderation in energy price growth (which moderated to 8.5% on a year-over-year basis from 12.3% in February); however, the larger factor was a moderation in the pace of growth excluding the energy and food components to a 1.7% year-over-year pace from 2.0% in February and 2.2% in January. Of the Bank of Canada's three preferred 'core' measures, the 'trim' (1.4% in March) and 'median' (1.7%) both edged lower from modestly downwardly revised levels in earlier months while 'CPI-Common' held at 1.3%, matching its lowest level since the mid-1990s. The monthly price data can be volatile and we continue to expect the underlying trend rate of price growth is just under a 2% rate; however, alongside continued modest wage growth to-date in 2017, today's report will provide further ammunition to the Bank of Canada's argument that the economy continues to run materially below its long-run production capacity.

Highlights:

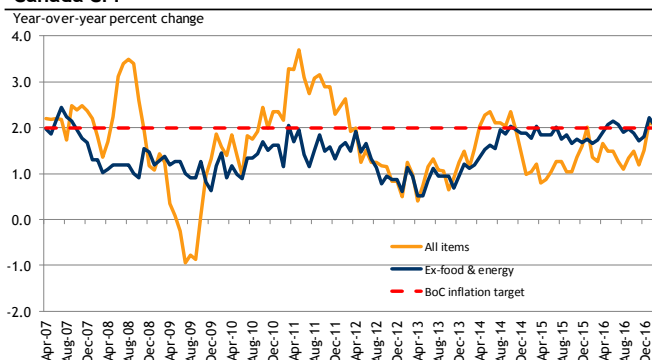
- The year-over-year rate of headline CPI inflation edged down to 1.6% (below expectations for a 1.8% reading) from 2.0% in February 2.1% in January.
- The rate of energy price inflation eased to 8.5% (on a year-over-year basis) from 12.3% in February but food price weakness eased to -1.9% from the 46-year low -2.3% in the earlier month.
- Excluding food and energy, price growth dropped to 1.7% from 2.0% in February and 2.2% in January.
- Of the Bank of Canada's three preferred 'core' measures, the 'CPI-Median' and 'CPI-Trim' measures both moderated, to 1.7% from 1.8% and 1.4% to 1.5%, respectively, while the 'CPI-Common' held at historically low levels (1.3%).

Canadian CPI Inflation

	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
<i>m/m % change</i>					
All Items CPI	-0.4	-0.2	0.9	0.2	0.2
Food	0.5	0.0	0.6	0.1	0.1
Energy	-2.3	1.6	4.5	-3.0	-0.9
All items ex-food & energy	-0.4	-0.4	0.6	0.4	0.3
<i>y/y % change</i>					
All Items CPI	1.2	1.5	2.1	2.0	1.6
Food	-0.7	-1.3	-2.1	-2.3	-1.9
Energy	0.2	4.0	12.1	12.3	8.5
All items ex-food & energy	1.7	1.8	2.2	2.0	1.7
BoC 'Core' Measures					
CPI-Trim	1.5	1.6	1.6	1.5	1.4
CPI-Median	1.8	1.8	1.8	1.8	1.7
CPI-Common	1.3	1.4	1.3	1.3	1.3

Source: Statistics Canada, RBC Economics

Canada CPI



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