

January 17, 2023

## Canadian CPI growth slowed further in December

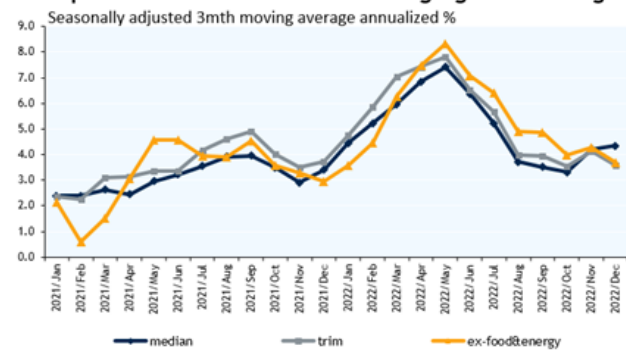
- Year-over-year CPI growth slowed to 6.3% from 6.8% in November
- Food price growth slowed and gasoline prices declined
- Broader inflation measures still high but showing further signs of easing
- One last 25 basis point interest rate hike from the BoC expected next week

**Lower gasoline prices pushed the 'headline' inflation rate lower.** Most of the slowing in the year-over-year rate of headline price growth came from a 13% drop in gasoline prices from November. Growth in food prices is still exceptionally high at 10.1% year-over-year, but that was down slightly from 10.3% in November. Mortgage interest costs and home rents continued to surge higher (the former up 18% year-over-year) but price growth for durable goods, like household appliances, slowed.

**But the breadth of inflation across other goods and services also has narrowed.** 3-month average growth in the BoC's preferred median and trim inflation measures are still running above the BoC's 1% to 3% target range but have been increasing more slowly than earlier in the summer. By our count, 60% of the CPI basket was still growing faster than the top end of the Bank of Canada's 1% to 3% target inflation range over that period, little changed from November but below a peak of more than 75% last July.

**One last 25 basis point hike to the overnight rate still looks likely at next week's BoC policy decision,** but we continue to expect the end of the current hiking cycle is near. Inflation pressures are still running above the BoC's target range, but have shown persistent signs of slowing. Global inflation pressures have slowed as commodity prices declined and supply chain disruptions eased. Persistently low unemployment is pushing wages higher and threatening to put a floor under future inflation rates. But softer labour markets in 2023 are likely already baked in as the aggressive interest rate hikes from 2022 filter through to household and business purchasing power/decisions with a lag.

### BoC's preferred core measures showing signs of slowing



### Canadian CPI

	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
<i>m/m % change (not seasonally adjusted)</i>					
All Items CPI	-0.3	0.1	0.7	0.1	-0.6
Food	0.8	0.7	0.2	1.2	0.3
Energy	-6.5	-4.4	6.2	-1.5	-7.9
All items ex-food & energy	0.0	0.3	0.3	0.1	-0.1
<i>y/y % change</i>					
All Items CPI	7.0	6.9	6.9	6.8	6.3
Food	9.8	10.3	10.1	10.3	10.1
Energy	19.0	14.0	16.2	13.9	7.3
All items ex-food & energy	5.3	5.4	5.3	5.4	5.3
<b>BoC 'Core' Measures</b>					
CPI-Trim	5.3	5.3	5.3	5.4	5.3
CPI-Median	4.8	4.8	4.9	5.1	5.0

Source: Statistics Canada, RBC Economics

**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.