

Economics

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Canadian CPI (Nov): Push and pull

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Consumer price index (% chg)	25:Q2	25:Q3	Sep	Oct	Nov
Year/year rate (unadjusted)	1.8	2.0	2.4	2.2	2.2
Monthly rate (unadjusted)	-	-	0.1	0.2	0.1
Monthly rate (SA)	-	-	0.4	0.1	0.2
Three-month rate (SAAR)	-	-	3.0	3.0	3.2
CPI-trim (year/year rate)	3.0	3.1	3.1	3.0	2.8
CPI-median (year/year rate)	3.0	3.1	3.1	3.0	2.8

Source: Statistics Canada

- Canadian inflation held steady in November, as the push of stronger food/gasoline prices was offset by the pull of generally softer measures of core inflation. The end result, though, is unlikely to change the Bank of Canada's view that underlying inflation is around 2.5%, and we continue to forecast a prolonged pause at the current 2.25% overnight rate.
- The 2.2% headline reading for November CPI was unchanged from the prior month and a tick below consensus expectations. On the month, prices rose by an unadjusted 0.1%, and 0.2% when adjusted for seasonality.
- Food price inflation accelerated, driven by a surge in grocery costs. The 1.3% monthly increase in grocery prices was the strongest since March, and the 4.2% year-over-year pace was the highest since December 2023. Fresh fruit, beef and coffee were the main drivers of strong food inflation. Gasoline prices also increased in November, albeit remaining down on a year-over-year basis.
- Higher food and gasoline prices were generally offset by a decline in traveler accommodation prices and an easing in rent inflation. The 0.2% increase in rents was the smallest monthly increase since May, although the year-over-year rate decelerated only slightly to 4.7%, from 5.2% in the prior month. The drop in traveler accommodation prices was sharper than seasonal norms, and as a result the year-over-year rate fell to -6.9%, from -0.6% in the prior month.
- Four core measures of inflation (Trim, Median, CPI-X and ex food/energy) averaged a 0.13% SA monthly increase, 2.8% y/y and 2.5% on a 3-month annualized basis. All of those readings reflected decelerations relative to the prior month.

Implications & actions

Re: Economic forecast — Headline inflation will see some volatility in the months ahead thanks to base effects from last year's GST/HST holiday, although we expect core measures excluding tax changes to continue easing. At present, though, core inflation is still too high to allow further interest rate cuts, albeit not strong enough to justify recent market pricing for hikes before the end of 2026. We continue to forecast that the Bank of Canada will hold its overnight rate steady at the current level throughout next year.

Re: Markets — Bond yields and the Canadian dollar were both marginally lower after today's release, as investors slightly pushed back expectations for future Bank of Canada interest rate hikes.

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