

Economics

ECONOMIC FLASH!

economics.cibccm.com

May 19, 2026

Canadian CPI (Apr): Core still in neutral even as gasoline surged

by **Andrew Grantham** andrew.grantham@cibc.com

Consumer price index (% chg)	25:Q4	26:Q1	Feb	Mar	Apr
Year/year rate (unadjusted)	2.2	2.2	1.8	2.4	2.8
Monthly rate (unadjusted)	-	-	0.5	0.9	0.4
Monthly rate (SA)	-	-	0.2	0.5	0.3
Three-month rate (SAAR)	-	-	2.2	2.9	3.9
CPI-trim (year/year rate)	2.9	2.3	2.3	2.2	2.0
CPI-median (year/year rate)	2.8	2.4	2.3	2.3	2.1

Source: Statistics Canada

- Headline CPI accelerated in April as gasoline prices surged, but the jump wasn't as high as expected and core measures of inflation remained muted, supporting the current wait-and-see stance of the Bank of Canada. While price pressures may accelerate further ahead, the weakness of core inflationary measures as oil prices were initially spiking is an indication of the slack that exists within the Canadian economy, which will continue to put downward pressure on inflation components that aren't greatly affected by oil prices. Because of that we continue to see the Bank of Canada holding interest rates steady at their current level throughout 2026.
- The 0.4% m/m headline increase (+0.3% SA) was three ticks below the consensus forecast. While the annual rate accelerated to 2.8%, it didn't breach the 3% mark as expected (consensus 3.1%). Higher energy prices, particularly gasoline, drove the headline acceleration, but price pressures were generally much tamer elsewhere. Indeed, excluding gasoline, inflation actually decelerated to 2.0%, from 2.2% in March. Food prices were little changed on the month, but are likely to rise ahead due to the impact of higher transportation costs.
- An average of four core inflation measures came in at only 0.1% m/m in April, and dipped below 2% on a year-over-year basis for the first time since March 2021. Exclusionary measures of inflation (CPI ex food/energy and CPI-X) were the weakest month-over-month in April, partly influenced by another large drop in cell service costs as well as surprising weakness in travel tours and air fares. However, CPI-Trim and CPI-Median weren't much stronger on a m/m basis, and were below consensus expectations year-over-year, which is an indication that underlying inflationary trends weren't exactly strong.
- Softer core measures of inflation relative to the pick-up seen in the US is partly a timing issue, as air fares in Canada are included at the time a flight is taken and because of that the fare increases seen recently will show up to a greater extent in CPI readings over the summer. However, it is likely also a reflection of the slack that exists within the Canadian economy, placing downward pressure on inflation components that aren't greatly affected by oil prices or transportation costs more broadly.

Implications & actions

Re: Economic forecast — Looking forward, core measures of inflation are likely to accelerate again over the summer, as air fare increases are picked up and higher transportation costs result in price rises in some other areas as well. However, the slack currently in the economy will limit the extent of that acceleration, and we continue to forecast that the Bank of Canada will hold its overnight rate at 2.25% throughout the remainder of the year.

Re: Markets — Shorter-term bond yields fell following the release as investors slightly reduced the magnitude of Bank of Canada rate hikes expected before the end of the year, although the move was muted compared to the spike seen last week. Longer-term (5-year and over) yields remained higher on the day, likely reacting to yesterday's increase in global oil prices when Canadian markets were closed.

CIBC Capital Markets is a trademark brand name under which Canadian Imperial Bank of Commerce ("CIBC"), its subsidiaries and affiliates (including, without limitation, CIBC World Markets Inc., CIBC World Markets Corp. and CIBC Capital Markets (Europe) S.A.) provide different products and services to our customers around the world. Products and/or services offered by CIBC include corporate lending services, foreign exchange, money market instruments, structured notes, interest rate products and OTC derivatives. CIBC's Foreign Exchange Disclosure Statement relating to guidelines contained in the FX Global Code can be found at www.cibccm.com/fxdisclosure. Other products and services, such as exchange-traded equity and equity options, fixed income securities and futures execution of Canadian securities, are offered through directly or indirectly held subsidiaries of CIBC as indicated below.

Distribution

This report is written by the economics team at CIBC Capital Markets and is not the product of a CIBC Capital Markets research department. This report is issued and approved for distribution: (a) in Canada, by CIBC World Markets Inc., a member of the Canadian Investment Regulatory Organization, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund; and (b) in the United States, by either: (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors ("MII") (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada and does not constitute an offer or solicitation to buy or sell any securities discussed herein, including (without limitation) in any jurisdiction where such offer or solicitation would be prohibited.

The distribution of this report in the United Kingdom is being made only to, or directed only at, persons falling within one or more of the exemptions from the financial promotion regime in section 21 of the UK Financial Services and Markets Act 2000 (as amended) ("FSMA") including, without limitation, to the following:

- authorised firms under FSMA and certain other investment professionals falling within article 19 of the FSMA (Financial Promotion) Order 2005 ("FPO") and directors, officers and employees acting for such entities in relation to investment;
- high value entities falling within article 49 FPO and directors, officers and employees acting for such entities in relation to investment; and
- persons who receive this presentation outside the United Kingdom.

The distribution of this report to any other person in the United Kingdom is unauthorised and may contravene FSMA. No person falling outside such categories should treat this report as constituting a promotion to them or rely or act on it for any purposes whatsoever. This report is distributed solely to eligible counterparties or professional clients and not retail clients as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

For all other jurisdictions, this report is distributed solely to institutional clients and not retail clients as defined by the applicable securities legislation and regulation to which CIBC Capital Markets may be subject in any jurisdiction.

Miscellaneous

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.

CIBC Capital Markets and the CIBC Logo Design are trademarks of CIBC, used under license.

CIBC Capital Markets – PO Box 500, 161 Bay Street, Brookfield Place, Toronto, Canada M5J 2S8 – Bloomberg @ CIBC