

Economics

ECONOMIC FLASH!

economics.cibccm.com

January 19, 2026

Canadian CPI (Dec): A mixed bag

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

Consumer price index (% chg)	25:Q3	25:Q4	Oct	Nov	Dec
Year/year rate (unadjusted)	2.0	2.2	2.2	2.2	2.4
Monthly rate (unadjusted)	-	-	0.2	0.1	-0.2
Monthly rate (SA)	-	-	0.1	0.2	0.3
Three-month rate (SAAR)	-	-	3.0	3.2	2.7
CPI-trim (year/year rate)	3.1	2.9	3.0	2.9	2.7
CPI-median (year/year rate)	3.1	2.8	3.0	2.8	2.5

Source: Statistics Canada

- Headline inflation was a little stronger than expected in December, but was softer on average across core measures. Because of that, we don't think that today's data will impact Bank of Canada policy as we head towards next week's meeting, and continue to think that the overnight rate will be on hold throughout this year.
- Headline CPI was -0.2% m/m (+0.3% SA) and 2.4% y/y, with both of those readings slightly above consensus expectations (-0.3% and 2.2% respectively). The acceleration in the year-over-year rate was largely due to base effects from a year ago when the temporary GST/HST tax break lowered prices of some goods and services. That impact was offset slightly by gasoline prices falling more in year-over-year terms than they did in the prior month.
- Core measures of inflation were also a mixed bag, with ex-food/energy rising by an above-trend 0.3% seasonally adjusted, but CPI-trim and CPI-Median only seeing marginal monthly increases. CPI-X printed in the middle, with a 0.2% seasonally adjusted increase. An average of these four core measures was 0.14% m/m, 2.1% 3m-annualized, 2.2% 6m-annualized and 2.65% y/y, with all of these readings representing slight decelerations relative to the prior month.
- The differing trends within core measures suggests that a couple of sectors were key in driving ex food/energy and headline inflation higher in December, with these being trimmed out or not included in other measures. This includes increases in air transportation and travel tour fares that went above normal seasonal trends.
- Elsewhere, shelter inflation continued to ease, with the 2.1% year-over-year pace the lowest since 2021. That's been driven largely by owned accommodation, which this month included a monthly decline in mortgage interest costs for the first time since 2022. Countering that, rental inflation as measured in the CPI remains stronger than market asking prices, with December seeing a 0.5% m/m increase for a year-over-year pace close to 5%.

Implications & actions

Re: Economic forecast — Headline inflation may have been firmer than expected in December, but softness in measures such as CPI-Trim and Median suggest that was not due to widespread inflationary pressures. As a result we still view underlying inflation as only a little above 2% (close to the 2.2% 6-month annualized average of core measures), which is not strong enough to justify speculation that the Bank of Canada may be forced to raise interest rates before the end of the year. We continue to forecast no change in the policy rate during 2026.

Re: Markets — Bond yields were little changed by today's data, which did little to change expectations for Bank of Canada policy setting.

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