Cdn. CPI (Mar)

As with most other economic indicators, inflation plunged in March, and there’s more of a decline to show up in the April data. The headline index moved 0.6% NSA lower in March, leaving inflation over the past year tracking 0.9% versus 2.2% in February. The precipitous decline was largely the result of lower gasoline prices. Keep in mind that gas prices only really reached current levels by the last week of March, so the average of that category will again be much lower in the April release. Aside from the material moves in energy prices, inflation was running at 1.7% versus 2.0% for the ex-energy index in February. The Bank of Canada’s core common-component index matched that 1.7% reading in March, with the average of the central bank’s three core measures coming in at 1.8%. As expected, services prices including travel tours and airline fares were down as a result of travel advisories, while lower demand for hotel stays, car rentals and train tickets for travel within Canada also resulted in softer pricing.

Statistics Canada notes that price collection for the month of March wasn’t affected by shutdowns and social distancing measures, since most prices were collected earlier in the month. The agency did check some prices later in March to make sure that what was collected earlier still reflected reality. In cases where prices moved materially, an average was used. While the normal collection of prices will be affected by measures in place to reduce the spread of the virus, Statistics Canada is now using other methods to gauge prices, including web scraping, telephone collection and online price collection.

Overall, the inflationary outlook remains benign, particularly given what’s going on with oil prices. It will, however, be important to remember that the CPI basket will be less representative of the actual consumer experience, given that much of it remains in products and services that are unlikely being purchased by most households. Still, over time, even as restrictions are eased, expected slack in the economy will restrain consumer price growth in Canada.