

## ECONOMIC NEWS

# Canada: June CPI Inflation Was a Scorcher but Relief May Be Ahead

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### HIGHLIGHTS

- ▶ Consumer prices rose 0.7% m/m in June, pushing the annual rate of inflation up to 8.1% y/y from 7.7% in May. However, this was below the consensus call of 8.4%.
- ▶ On a monthly basis, energy prices advanced by 3.9% in June, well below May's 8.5% pace, although it still clocked in at 38.8% above the level a year ago. The monthly gain in food prices also slowed, rising by 0.1% June for the smallest monthly print since April 2021.
- ▶ Excluding food and energy, prices were 5.3% higher in June than they were a year earlier, accelerating just a tick above the May pace. On the monthly basis, this frequently-used measure of inflation was up 0.4% in June, the smallest monthly print since December 2021.
- ▶ Notably, the Bank of Canada's three core measures of inflation averaged 5.0% over last year, edging up slightly from 4.9% in May.

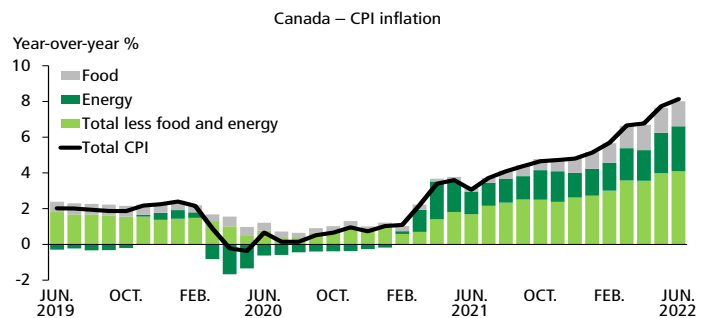
### COMMENTS

The current global heat wave isn't just keeping meteorologists busy. Inflation is a scorcher this summer too, and the June data for Canada was no exception. At 8.1%, year-over-year price growth hit its fastest pace since January 1983, when Hall and Oates' "Maneater" was topping the charts.

However, even at this pace, June CPI inflation came in below expectations, and is showing some signs of cooling. The slowing pace of month-over-month commodity price gains are particularly encouraging, and July data point to a possible cooler front ahead given speculation of a global recession. Most other price categories also advanced at a slower pace in June, with the deceleration in shelter costs being particularly notable given its significant weight in the inflation basket.

### GRAPH

**June CPI inflation was a scorcher but there are hints of relief ahead**



Sources: Statistics Canada and Desjardins, Economic Studies

### IMPLICATIONS

June's CPI release points to some potential positive news on the price front, particularly given the weakness in commodity prices in July. But prices in Canada are still running way too hot, with 45% of the CPI basket now rising faster than 7% per year. So the only question left to answer is whether the Bank of Canada hikes rates 50bps or 75bps in September. It looks like the odds are roughly even between the two. With limited data releases between now and the next interest rate decision, a lot will hinge on the July employment reading.