



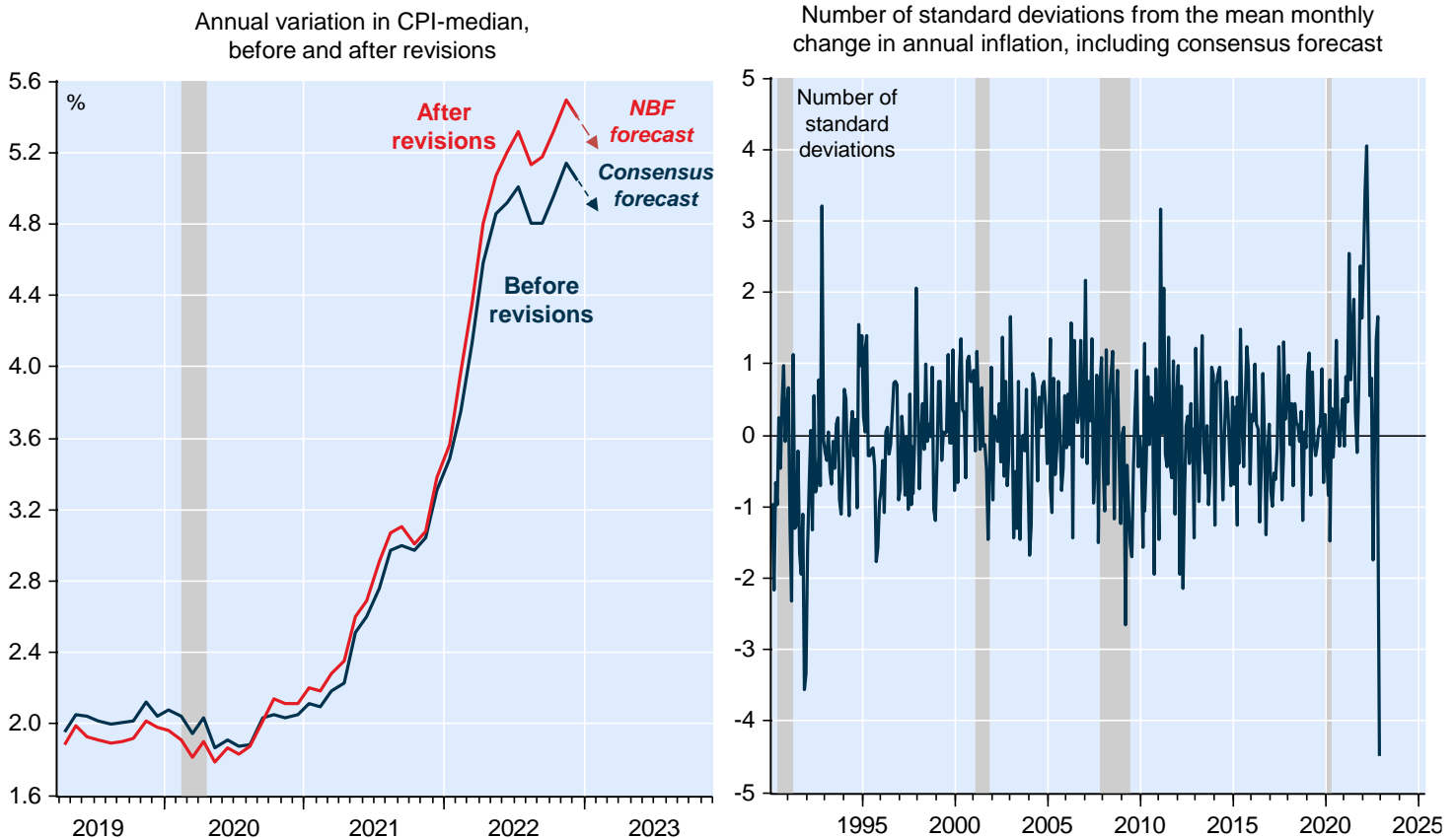
Canada Watch

By Matthieu Arseneau and Alexandra Ducharme

Statistics Canada will release January's consumer price index (CPI) data tomorrow, a much-anticipated update considering that the Bank of Canada has announced a pause in its tightening cycle conditional to inflation showing signs of moderation (see the [note](#) written by our colleagues for more details). While the headline inflation number will certainly attract a lot of attention, the two core inflation measures favored by the Bank of Canada, namely the CPI-trim and the CPI-median, will also draw significant interest. According to data compiled by Bloomberg, the economists' consensus for these indicators points to a one-tenth drop in annual inflation for the next release to 5.2% and 4.9%, respectively. For the latter, some clients were surprised to see our own out-of-consensus call seemingly indicating an acceleration of CPI median from 5.0% to 5.2%. In last month's CPI publication, Statistics Canada signaled that tomorrow's release, on top of providing for the first time indices in levels rather than in annual variation, would feature historical revisions to both of these measures due to changes in the methodology used to seasonally adjust the data ([link](#)). While this change little affects the annual variation of the CPI-trim, it considerably impacts the one of CPI-median, which has been revised up by almost four ticks in recent months. Thus, despite appearances, we are expecting a two-tenths deceleration in annual CPI-median inflation (from 5.4% to 5.2%, left chart). It looks like investors are in for a big disappointment this Tuesday as some forecasters might have missed Statistics Canada's memo. As today's Hot Chart shows, if consensus forecast of half-percent decline in annual CPI-median materializes (from 5.4% to 4.9%), that would mean an outcome with no precedent in the data going back to the 1990s (right chart).

Canada: Don't be fooled by consensus expectations on CPI-median

Consensus seems to forget revisions to annual CPI-median inflation in tomorrow's CPI release



Economics and Strategy

Montreal Office

514-879-2529

Stéfane Marion

Chief Economist and Strategist
stefane.marion@nbc.ca

Kyle Dahms

Economist
kyle.dahms@nbc.ca

Alexandra Ducharme

Economist
alexandra.ducharme@nbc.ca

Matthieu Arseneau

Deputy Chief Economist
matthieu.arseneau@nbc.ca

Daren King, CFA

Economist
daren.king@nbc.ca

Angelo Katsoras

Geopolitical Analyst
angelo.katsoras@nbc.ca

Jocelyn Paquet

Economist
jocelyn.paquet@nbc.ca

Toronto Office

416-869-8598

Warren Lovely

Chief Rates and Public Sector Strategist
warren.lovely@nbc.ca

Taylor Schleich

Rates Strategist
taylor.schleich@nbc.ca

General

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