

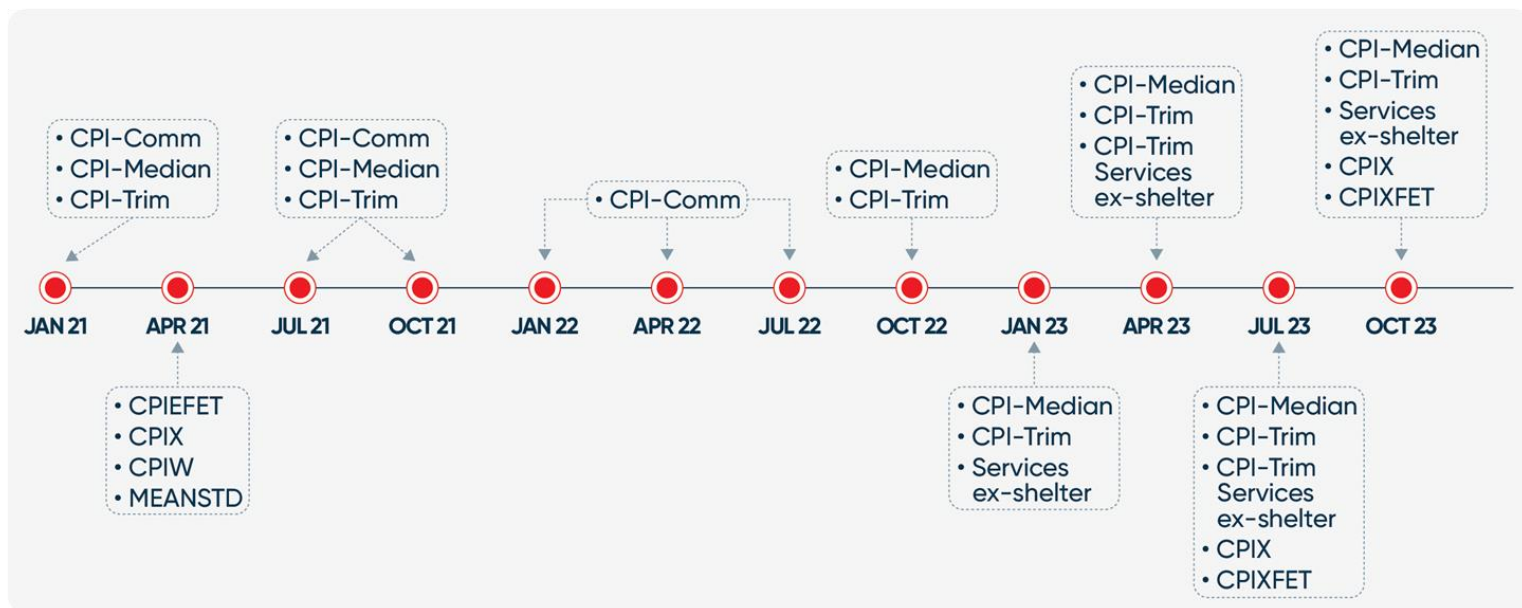
Canada Watch

By Matthieu Arseneau and Alexandra Ducharme

In 2001, the year the Bank of Canada (BoC) opted for the CPI excluding the 8 most volatile components as a core measure (abandoned in 2016), a staff report stated that: "The methodology used to extract core inflation from public inflation rates must not change frequently or be perceived by the public as obscure or under the control of the monetary authorities." As today's Hot Chart shows, the BoC needs to do better on this level. Indeed, the many turnarounds of the past three years, which we review in a recent [Special Report](#), highlight the fact that the BoC has too often allowed itself to modify the core inflation measures emphasized in its communications. We recommend that the BoC prioritizes a thorough reassessment of its core inflation measures to make a decision and stick to it. It should not rule out a return to the much more flexible and simpler exclusion measures. Furthermore, it must make publicly available all the data needed to replicate these indicators, to avoid the public perceiving them as a black box.

Canada: The BoC needs to pick and choose and stick to it

Core inflation measures emphasized by the Bank of Canada since 2021



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