

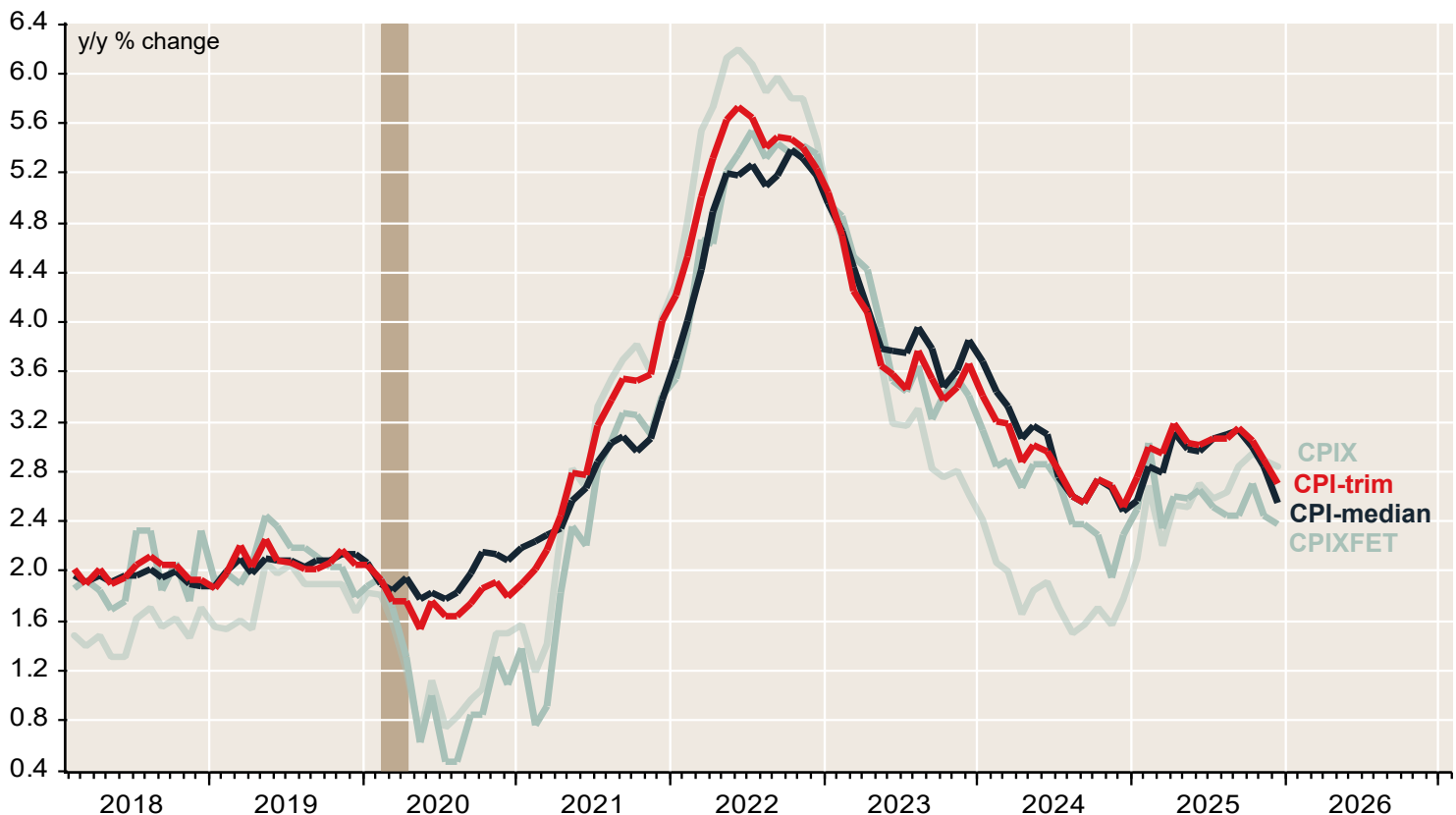
Canada Watch

By Matthieu Arseneau and Alexandra Ducharme

Yesterday was policy rate decision day in both the United States and Canada. In Canada, the decision to hold was announced alongside a fresh Monetary Policy Report (MPR), offering an updated assessment of economic conditions, including inflation. In recent years, we have criticized the Bank's treatment of underlying inflation ([here](#), [here](#), and [here](#)). We argued that it appeared to selectively reference various core measures to support its policy decisions rather than relying consistently on its official indicators, i.e. CPI-trim and CPI-median. Since last summer, the Bank has expressed doubts about the reliability of its preferred measures by introducing other indicators as well as emphasizing CPI excl. food & energy and CPIX in the last two Monetary Policy Reports. Today's communications represented a departure from that approach, as both the press release and the MPR focused exclusively on the Bank's preferred core measures. As today's Hot Chart shows, this did not give the impression of cherry-picking, as the two measures that were discarded had average annual rates similar to the preferred (both at 2.6%). We know that the Bank is currently reviewing its core inflation measures, and we continue to believe that it should pick an exclusion measure for both simplicity and flexibility ([link](#)). But in the meantime, we welcome this return to a more coherent and transparent approach. Due to these developments, we will be paying closer attention to the CPI-trim and CPI-median for the next inflation releases.

Canada: CPI-trim and CPI-median back in the spotlight

Annual change in selected core inflation measures*



CPIX: CPI excluding 8 most volatile components and taxes; CPIXFET: CPI excluding food, energy and indirect taxes
NBC Economics and Strategy (data via Statistics Canada)



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