



June 23, 2017

## TD Economics

### Data Release: Canadian inflation heads lower in May as energy prices pull back

- Consumer price inflation decelerated to 1.3% (year-on-year) in May from 1.6% in April. Prices fell 0.2% month-on-month (seasonally adjusted), following a 0.4% gain in April.
- A deceleration in energy prices weighed on the headline number, particularly gasoline prices. Energy prices were up 3.3% year-on-year, slowing from 9.6% in the month prior.
- Food prices rose 0.3% (month-on-month) bringing the year-on-year rate to -0.1%, up from -1.1% in April.
- The Bank of Canada's core measures were either flat or down, with CPI-median edging down to 1.5 % (from 1.6%), CPI-trim to 1.2% (from 1.3%), and CPI-common unchanged at a feeble 1.3%.

### Key Implications

- Inflation pressures remain muted in Canada. Even outside of energy prices, core measures show little in the way of burgeoning price pressures. In the past the weakness has been concentrated in goods categories, but even services decelerated in May.
- The soft inflation environment is likely enough for the Bank of Canada to hold off on raising interest rates at its next meeting in July. Nonetheless, a continuation of above-trend economic growth should reduce slack and help turn inflation higher over the second half of this year, allowing the Bank of Canada to nudge up the overnight rate in October.

**James Marple, Senior Economist**  
**416-982-2557**

 [@TD\\_Economics](https://twitter.com/TD_Economics)

#### DISCLAIMER

This report is provided by TD Economics. It is for informational and educational purposes only as of the date of writing, and may not be appropriate for other purposes. The views and opinions expressed may change at any time based on market or other conditions and may not come to pass. This material is not intended to be relied upon as investment advice or recommendations, does not constitute a solicitation to buy or sell securities and should not be considered specific legal, investment or tax advice. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. This report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise the TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.