

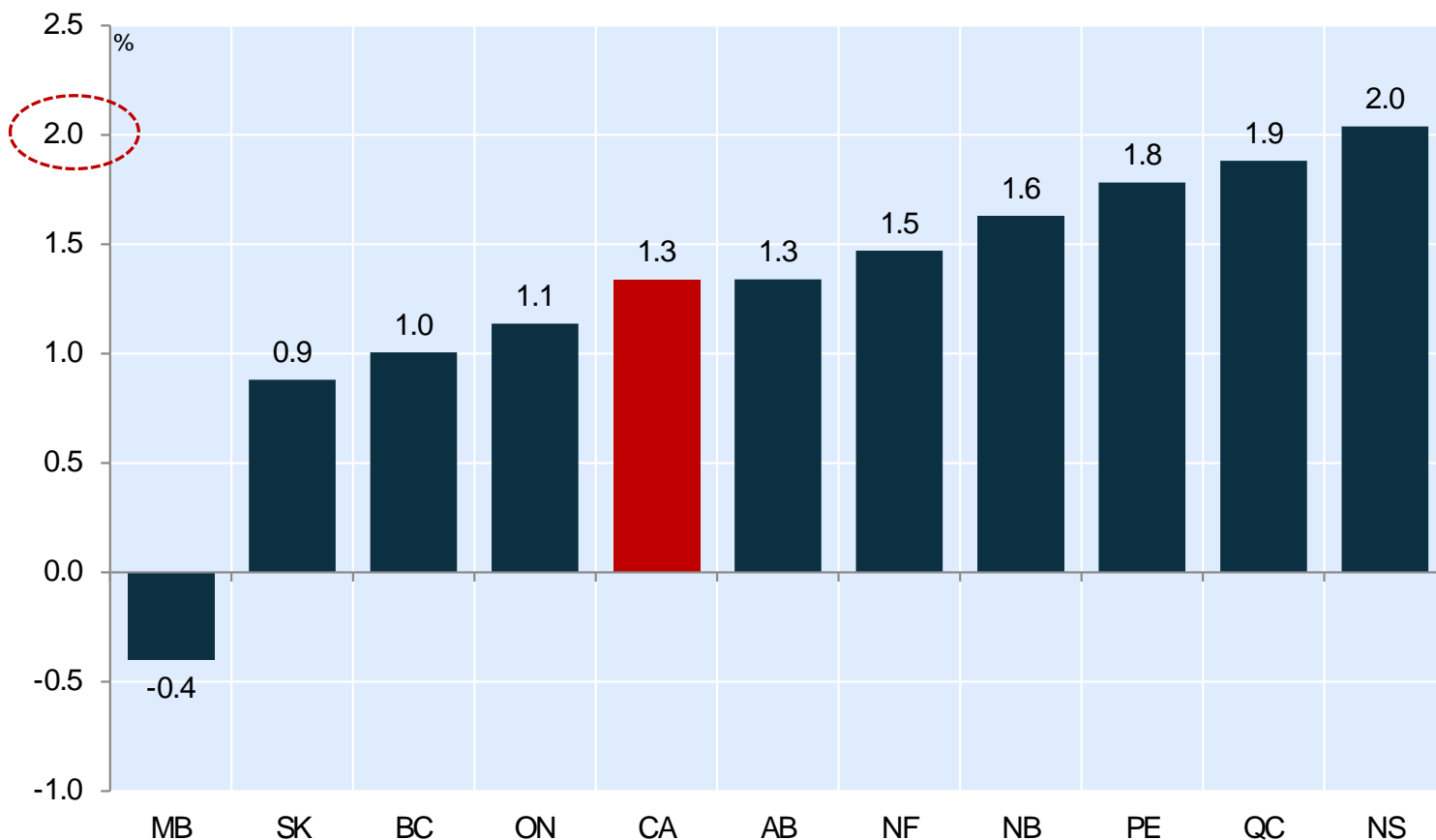
Canada Watch

By Stéfane Marion

In contrast to the US, CPI inflation in Canada continues to surprise to the downside. The headline CPI came in at 2.8% y/y in February, with the core measures slowing significantly. As argued in our [Economic News](#), there is a risk that the Bank of Canada (BOC) is already doing undue damage to the economy by maintaining an overly restrictive monetary policy. As today's Hot Chart shows, we note that CPI inflation outside shelter was only 1.3% in February, with 9 out of 10 provinces at 2% or below (with Manitoba in deflation). The last time the BOC's policy rate was as high as it is now with so many provinces with CPI ex-shelter inflation below 2% was in the early 1990s. That did not end well for the Canadian economy.

Canada: All provinces have CPI ex-shelter at or below 2%

CPI inflation less shelter: Canada and the provinces



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