

## Canada inflation: Price pressures mount in March

It's safe to say the negative effect of lower energy prices is slowly dissipating. The consumer price index in March posted a substantial increase from the previous month, but will such pressures persist? According to the Bank of Canada, probably not



Source: Shutterstock

Canadian inflation picked up significantly in March, rising from 1.5% to 1.9% in annual terms, driven primarily by the ongoing rebound in energy prices. Gasoline prices rose 12% in February - the most substantial one-month gain since 2007. Throw in the fact that two out of the Bank of Canada's three core inflation measures rose back up to (or above) 2%, and overall, price pressures appear to be growing a little quicker than we had previously anticipated.

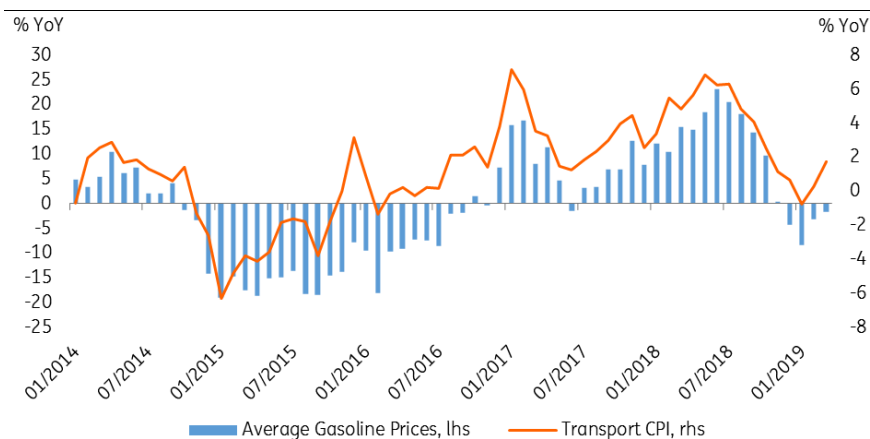
# 1.9%

## March Headline CPI

(YoY%)

Better than expected

### Recovery in the transport component was aided by a rebound in gasoline prices



Source: Macrobond

### A central bank hike isn't really guaranteed

Despite the slightly better news on inflation, the deterioration in the economic outlook means a Bank of Canada hike this year isn't guaranteed.

Disappointing economic data, the lagged impact of lower oil prices and production constraints in the energy sector are just some of the issues that have clouded the outlook for growth. The Bank of Canada's Spring Business Outlook survey (released on Monday) has also added to the uncertain picture.

The Business Outlook survey indicator decreased from a strong positive level in winter, to a slightly negative position now in spring, suggesting business sentiment is softening. This can probably be attributed to a mixture of internal and external risks, namely concerns about Canada's energy and [housing sector](#) as well as US political uncertainty and the trade tensions.

Firms also reported that they expect a fairly benign inflationary backdrop over the coming months. To us, this makes it increasingly likely that the Bank of Canada will follow in the Fed's footsteps and put its tightening cycle on hold.

[Read our analysis of Canada's housing market here](#)

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