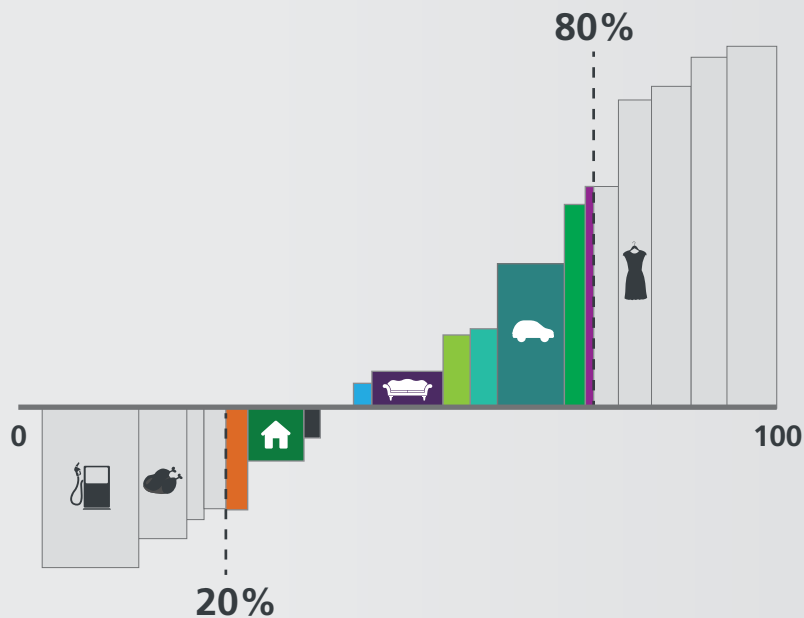


# BANK OF CANADA'S PREFERRED MEASURES OF CORE INFLATION

## CONSUMER PRICE INDEX

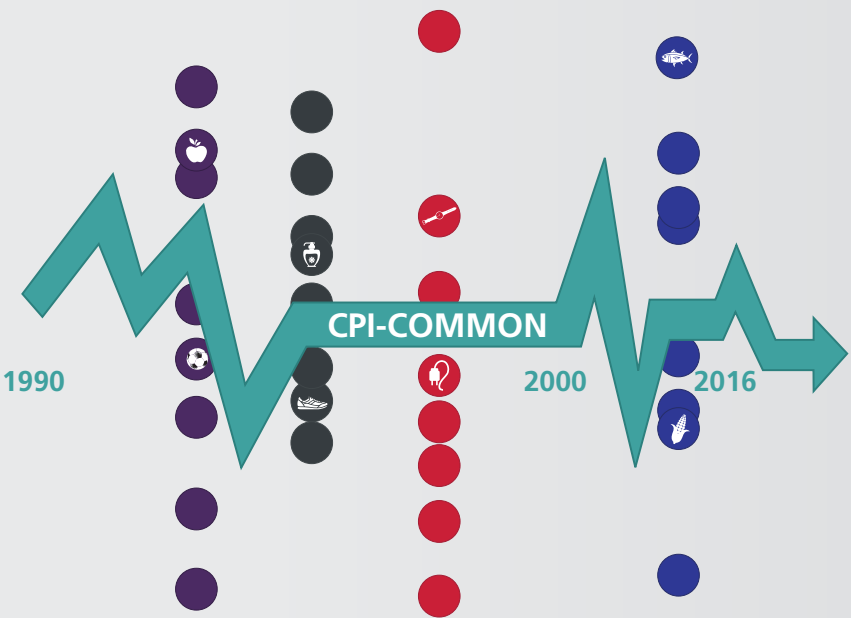
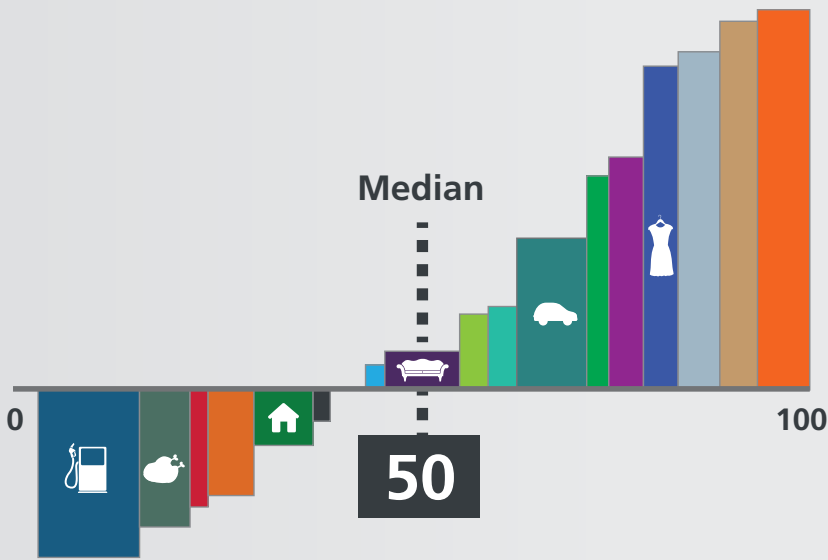


### CPI-trim

To compute CPI-trim, components are ranked by **monthly inflation rates** and **CPI basket weights**. The components that account for the **20% lowest** and the **20% highest** inflation rates are excluded. The monthly trimmed inflation rate is the **arithmetic weighted average** of the monthly inflation rates of the components that account for the remaining 60% of the basket weights in the middle of the distribution. The published CPI-trim inflation rate is an annual inflation rate. **It represents the cumulative monthly trimmed inflation rate for the 12-month period ending in the current month.**

### CPI-median

Components are ranked by monthly inflation rates and CPI basket weights. The monthly CPI-median is the **first inflation rate such that the cumulative weight equals to or exceeds 50%** of the total CPI basket. The CPI-median inflation rate published is an annual inflation rate. **It represents the cumulative monthly median inflation rate for the 12-month period ending in the current month.**



### CPI-common

The CPI-common is defined as the predicted value obtained from a linear regression of the year-over-year change in the All-items CPI excluding the effect of changes in indirect taxes on an intercept and on the common source identified by a factor model. It is important to note that, **this process is performed monthly using the entire available historical data**, so the values of the first principal component may change from one month to another.