

CANADA

The total annual inflation rate accelerates

HIGHLIGHTS

- The total consumer price index (CPI) slipped 0.1% in November.
- The main components that contributed to this decrease are traveller accommodation (-9.7%), telephone services (-3.3%), tour packages (-7.8%), women's clothing (-1.7%) and children's clothing (-3.9%).
- In contrast, the components that contributed the most positively to movement in total CPI are fresh vegetables (+9.0%), motor vehicle purchases (+0.8%), air transport (+2.2%), electricity (+0.9%) and personal care supplies and equipment (+1.8%).
- The total annual inflation rate went from 1.0% to 1.4%.
- The Bank of Canada's core index (CPIX), which excludes eight volatile components, edged down 0.3% for the month, while its annual change fell to 2.0% from October's 2.1%.

COMMENTS

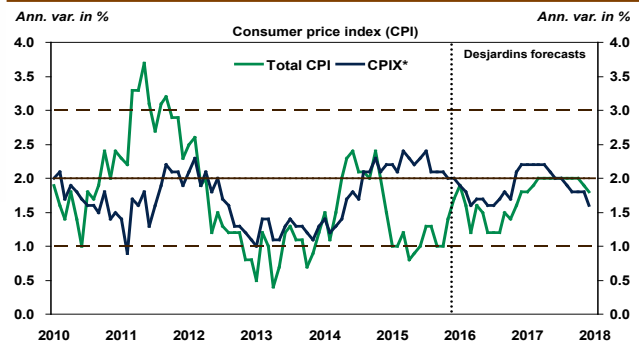
While most forecasters expected a small rise, total CPI actually fell 0.1% in November. It must be said that seasonal effects led to a 0.2% decline in total CPI for the month, representing a larger-than-usual decrease for this period of the year. Therefore, the seasonally adjusted version posted a 0.2% increase, similar to advances in recent months.

Total CPI's decrease in November did not prevent its annual change from accelerating. The withdrawal of the impact of the October 2014 plummet in oil prices from the calculation explains this result. This phenomenon should continue over the coming months, such that total CPI's annual change could close in on the median target.

CPIX demonstrated greater stability on this front. Its annual change once again continued to hover around the Bank of Canada's median target (2 %).

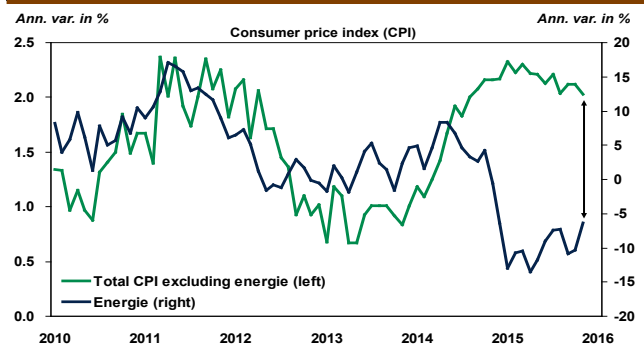
Implications: With strong stability in the core index's annual change, movement by inflation will not be a major issue in managing monetary policy in the coming months.

Inflation should converge on the median target



* Bank of Canada core index.
Sources: Statistics Canada and Desjardins, Economic Studies

Energy price movement diverges from movement in other prices in the consumption basket



Sources: Statistics Canada and Desjardins, Economic Studies

What should be monitored instead are the recent drop in oil prices and the potential impact on the Canadian economy.

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