CANADA

Total annual inflation rate of 1.1% for 2015
Retail sales up sharply in November

HIGHLIGHTS

• The total consumer price index (CPI) slipped 0.5% from November to December 2015. Its change from December 2014 to December 2015 was 1.6%.
• For 2015 as a whole, the average total annual inflation rate was 1.1%.
• The Bank of Canada core index (CPIX) was down 0.4% in December, its annual change was 1.9%.
• Retail sales increased 1.7% in November, growth that is well ahead of expectations.

COMMENTS

Seasonal effects played a major role in consumer price indexes tumbling in December. If not for that, total CPI and CPIX would have edged up 0.1%, an advance consistent with the trend in recent months.

With December’s data, we can also take stock of the year, as a whole. The official total inflation rate for Canada, as a whole, was 1.1% for 2015. Food prices rose 3.7% on average over the year, and clothing prices were up 1.4%. These increases were partially offset by a 16.6% decrease in gas prices. Excluding energy, other prices were up 2.2% in 2015.

As for retail sales, November’s results were surprising. Motor vehicle sales did increase significantly, but the 1.1% rise in other components attests to a widespread advance. In all likelihood, these good results are inflated by the Black Friday discounts, as the seasonal adjustment process has not yet correctly accounted for the growing importance of sales during this period. In this context, underperformance is likely for December.

Implications: Overall, the Bank of Canada is reassured by this morning’s results. Inflation remains well under control, and the sharp rise in retail sales will benefit economic growth in November.

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