

## CANADA

### Total inflation up slightly

#### HIGHLIGHTS

- The total consumer price index rose 0.2% in October.
- The major components that contributed to this increase are gas (+3.7%), property taxes (+2.8%), motor vehicles (+0.6%), automobile insurance premiums (+1.0%) and women's clothing (+1.0%).
- In contrast, the components that reined in total CPI monthly growth the most were traveler accommodations (-11.4%), organized tours (-2.7%), fresh vegetables (-1.9%), fresh fruit (-2.0%) and air transportation (-1.4%).
- The total annual inflation rate rose from 1.3% to 1.5%.

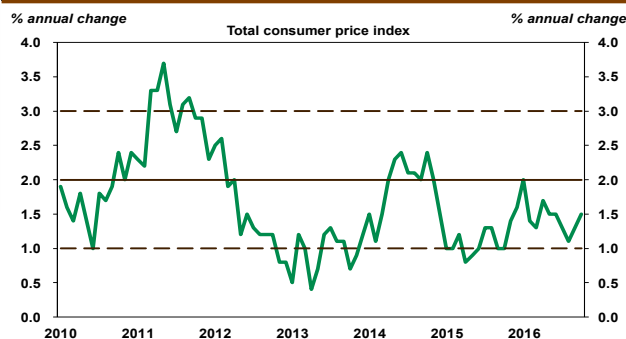
#### COMMENTS

Generally speaking, the rise in total inflation is fairly in line with expectations, even if the seasonal drop in prices was not as steep as what is usually seen at this time of the year. As such, the version corrected for seasonal fluctuations was up by 0.23% in October.

In terms of the inflation trend, the Bank of Canada recently announced that it was replacing the CPIX with three new underlying inflation measures. Statistics Canada should make these new measures available as of next month. In the meantime, we can turn toward more traditional measures. For example, the annual change in the index excluding food and energy has been fairly steady for several months, hovering around the median target. However, this index excludes the drop in food prices recorded in recent months. The index that excludes gas prices only shows an annual change of only 1.4%—a net slowdown from the 1.9% increase recorded last July.

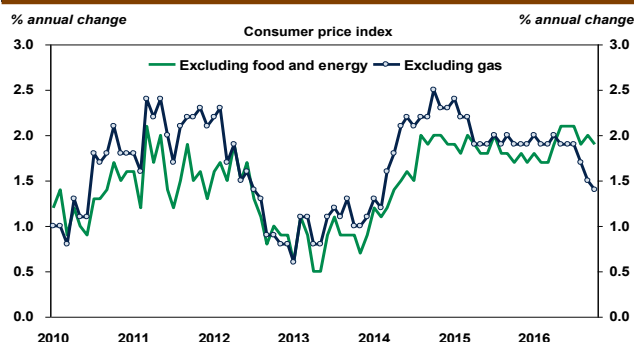
**Implications:** Several changes could have an impact on the overall inflation snapshot in the months ahead, whether it be from a methodological standpoint with the introduction of new underlying inflation measures or from an economic

#### Total inflation still hovering in the lower part of the target range



Sources: Statistics Canada and Desjardins, Economic Studies

#### In anticipation of the BoC's new measures, here are a few alternative core inflation indexes



Sources: Statistics Canada and Desjardins, Economic Studies

standpoint with the future influence of a weaker loonie (which could in fact offset the falling prices of some foods) and possible changes to some customs duties in North America. Caution is in order and, as Timothy Lane added this week, so is careful consideration, which argues in favour of maintaining the status quo on key interest rates.

**Benoit P. Durocher**  
Senior Economist

**François Dupuis**  
Vice-President and Chief Economist

**Hélène Bégin**  
Senior Economist

**Benoit P. Durocher**  
Senior Economist

**Francis Généreux**  
Senior Economist

514-281-2336 or 1 866 866-7000, ext. 5552336  
E-mail: [desjardins.economics@desjardins.com](mailto:desjardins.economics@desjardins.com)

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