

ECONOMIC NEWS

Canada: The Annual Inflation Rate Remains Stable

HIGHLIGHTS

- ▶ The consumer price index (CPI) rose 0.3% in October.
- ▶ The components that contributed the most to the monthly increase in CPI were travel tours (+6.6%), purchase of passenger vehicles (+1.1%), property taxes (+2.2%), rent (+0.8%) and air transportation (+1.9%).
- ▶ In contrast, the components that contributed the most to reducing the monthly variance in total CPI were traveller accommodation (-12.8%), fresh vegetables (-4.7%), dairy products (-2.1%), natural gas (-2.7%) and meat (-0.5%).
- ▶ The total annual inflation rate stayed at 1.9%.
- ▶ The average annual variation in the Bank of Canada's three benchmark indexes increased from 2.0% to 2.1%.

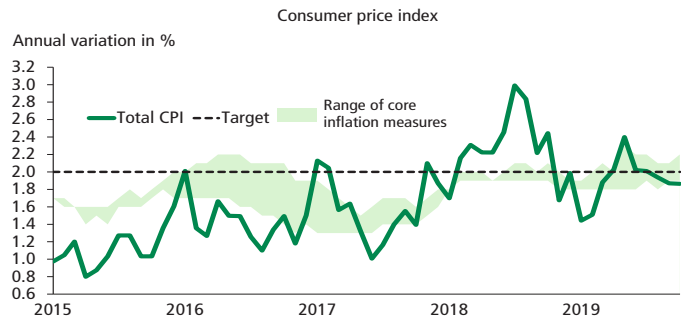
COMMENTS

Overall, price growth has been a little stronger than we thought. The seasonally adjusted version of the total CPI rose 0.29% in October, almost double the trend of the last six months.

That said, the overall picture of inflation remains relatively unchanged and price growth continues to show some stability. In the past five months, the total annual inflation rate has remained at 1.9% or 2.0%, in keeping with the Bank of Canada's median target. The average annual variation in the three benchmark indexes has also been moving within a fairly narrow range of 1.9% to 2.1% for the past 20 months. Moreover, the percentage of total CPI components with higher inflation than six months ago (49.1%) is about equal to the percentage of components with lower inflation (50.9%). This reflects a good balance between upward and downward price pressures.

GRAPH 1

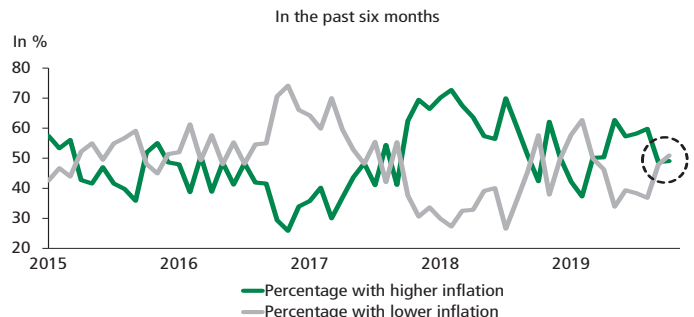
Inflation remains close to the median target



Sources: Statistics Canada, Bank of Canada and Desjardins, Economic studies

GRAPH 2

The number of components with rising inflation is almost identical to that with falling inflation



Sources: Statistics Canada and Desjardins, Economic studies

IMPLICATIONS

Inflation's high degree of stability around the median target (2%), argues in favour of extending the status quo on monetary policy.

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