

ECONOMIC NEWS

Canada: 2019's Annual Inflation Rate Comes to 1.9%

HIGHLIGHTS

- ▶ The consumer price index (CPI) hardly changed last December.
- ▶ Once again, air transportation prices were very volatile, posting a monthly increase of 23.4% in December. Excluding that component, the monthly variation in total CPI would have been around -0.3% in December, in line with our expectations.
- ▶ The annual variation in total CPI remained at 2.2% in December.
- ▶ The average annual variation in the Bank of Canada's (BoC) three benchmark indexes held steady at 2.1% for the fourth month in a row. After historical revisions, those three indexes are now slightly more stable.
- ▶ **For 2019 as a whole, the total annual inflation rate for Canada was 1.9%.**

COMMENTS

That 1.9% figure for 2019's total annual inflation rate fell a bit below the 2.3% recorded for 2018. Transportation prices increased at a much slower pace in 2019, mainly due to lower gas prices. There were also significant slowdowns in the prices of alcoholic beverages, tobacco products and recreational cannabis. Current household expense prices were also slower, especially for Internet access.

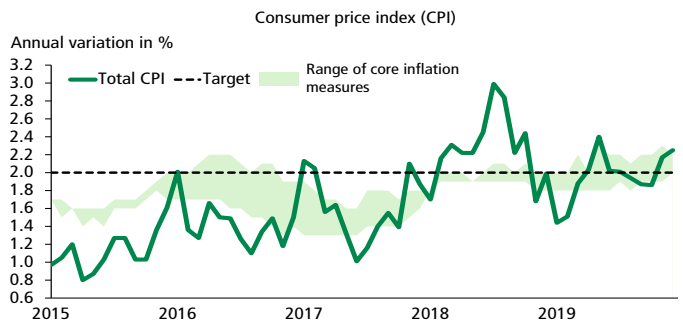
Conversely, growth in the price of food bought in stores (meat, fruit, vegetables, etc.) rose sharply from 0.8% in 2018 to 3.7% in 2019.

IMPLICATIONS

Once again, the inflation results demonstrate that overall price increases are holding close to the BoC's median target of 2%. That should keep key interest rates steady in the coming months.

GRAPH 1

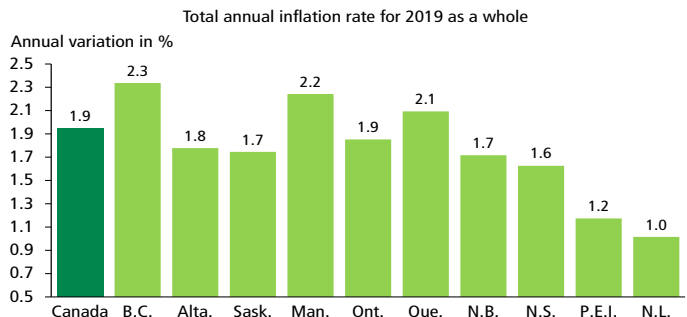
Core inflation holds near the median target



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

GRAPH 2

Inflation was around 2% in most provinces for 2019



Sources: Statistics Canada and Desjardins, Economic Studies

Benoit P. Durocher, Senior Economist

François Dupuis, Vice-President and Chief Economist • Mathieu D'Anjou, Deputy Chief Economist
Hélène Bégin, Senior Economist • Benoit P. Durocher, Senior Economist • Francis Généreux, Senior Economist

Desjardins, Economic Studies: 514-281-2336 or 1 866-866-7000, ext. 5552336 • desjardins.economics@desjardins.com • desjardins.com/economics

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