

ECONOMIC NEWS

Canada: Inflation Is Still Low

HIGHLIGHTS

- ▶ The total consumer price index (CPI) fell 0.1% in September.
- ▶ The components that contributed most to the decline are air transportation (-7.3%), telephone services (-2.7%), fresh vegetables (-4.0%), motor vehicle insurance premiums (-0.9%) and grain products (-3.8%).
- ▶ Conversely, the components that made the biggest positive contribution to the monthly variation in the total CPI are tuition fees (+1.9%), homeowners' replacement cost (+0.6%), women's clothing (+2.0%), computer equipment and digital devices (+4.8%), and internet access services (+2.1%).
- ▶ The total annual inflation rate went from 0.1% to 0.5%.

COMMENTS

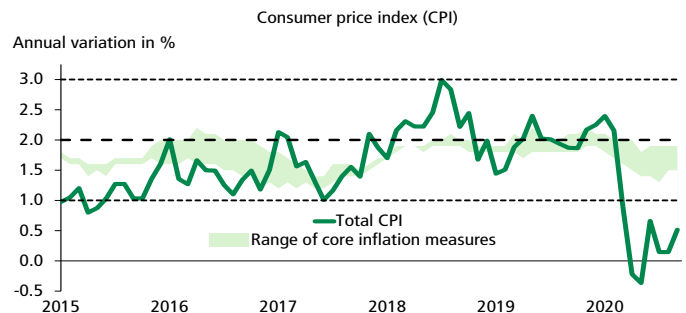
As expected, the increase in prices was fairly weak in September. Close to 36% of the CPI basket's components posted an annual variation lower than the Bank of Canada's (BoC) target range of 1% to 3%. This is a higher proportion than the beginning of 2020. In contrast, the proportion of components with inflation above the target range is very low.

That said, after seasonal adjustments, the monthly variation in the total CPI was 0.15%, more than the average for the past six months. Annualized, this means an increase of 1.8%, which is not so bad historically. Obviously, one month alone doesn't make a trend, and the situation will have to be monitored in the coming months.

IMPLICATIONS

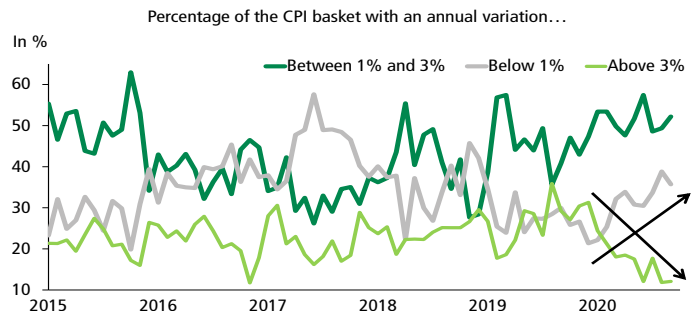
The upward pressure on inflation is very limited for the time being. Our projections point to the total annual inflation rate still taking some months before climbing above the BoC's lower target (1%). Inflation should therefore not be a major issue in managing monetary policy in the coming quarters.

GRAPH 1
Total inflation is ticking up



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

GRAPH 2
The number of components with inflation under 1% has been higher in the past few months



CPI: Consumer price index
Sources: Statistics Canada and Desjardins, Economic Studies

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