

ECONOMIC NEWS

Canada: Inflation Rises but Stays below the Lower Target

HIGHLIGHTS

- ▶ The total consumer price index (CPI) climbed 0.4% in October.
- ▶ The main components that contributed to this increase were motor vehicle purchases (+1.3%), homeowners' replacement cost (+1.4%), property taxes (+1.9%), natural gas (+6.7%) and fresh fruit (+2.9%).
- ▶ Conversely, the components that had the most negative impact on the monthly variation in the total CPI were traveller accommodation (-8.4%), gasoline (-1.5%), mortgage interest costs (-0.7%), electricity (-1.1%) and telephone services (-0.6%).
- ▶ The total annual inflation rate went from 0.5% to 0.7%.
- ▶ The annual average variation in the Bank of Canada's three benchmark indexes ticked up to 1.8% in October from 1.7% in September.

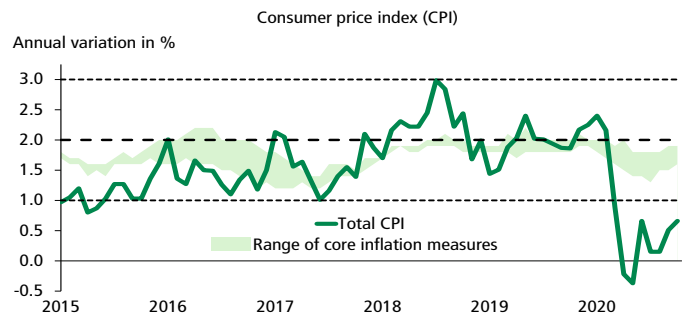
COMMENTS

Consumer price growth slightly exceeded expectations in October. Traveller accommodation prices didn't drop as much as usual during this low period of the year simply because they were already depressed due to the adverse effects of the pandemic. Natural gas prices also climbed, particularly in Ontario, where increases had been delayed in the last few months. That said, the overall picture for inflation remains very weak. The proportion of components with annual price variations below the lower target (1%) grew again in October, reaching 41.6%. Clearly, the repercussions of the pandemic is still being fully felt by inflation in Canada.

IMPLICATIONS

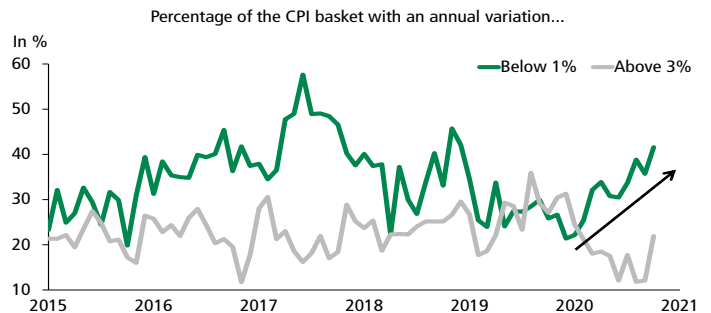
Although the total annual inflation rate continued to rise in October, it's still extremely low. Inflationary pressures are still quite weak across the country. Our projections suggest that it could take a few more months for the total annual inflation rate to exceed its lower target (1%).

GRAPH 1
Total inflation continues to climb



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

GRAPH 2
The number of components with inflation below 1% continues to grow



Sources: Statistics Canada and Desjardins, Economic Studies

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NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

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