



November inflation steadies but remains red-hot

Headline Canadian CPI inflation came in at 4.7 per cent year-over-year in November, a red-hot number consistent with October and market expectations. Prices rose 0.2 per cent from October. Seasonally- adjusted, prices rose 0.3 per cent seasonally- adjusted, which was the slowest uptick since June.

Households continued to be pinched in the grocery aisle as food costs rose strongly for a fifth straight month (0.4 per cent, seasonally- adjusted). Year-over-year, food prices rose 4.4 per cent compared to 3.8 per cent in October and led by store-bought foods. Meat prices rose nine per cent, while a rebound in produce prices also factored into stronger growth. Upward food pressures will likely continue given disruptions caused by the B.C. floods on both imports and production.

Gasoline prices rose 43 per cent year-over-year but held steady from October. Consumers have seen a bit of relief amidst declining oil prices trends. Excluding food and energy, price levels were up 3.1 per cent year-over-year. Clothing prices were generally flat. Shelter costs were steady at 4.8 per cent year-over-year, but ownership costs remained up 5.3 per cent.

Tight supply chains and tariffs continue to generate strong price momentum. Durable goods prices, which include food, cars and other long-lasting items, rose 5.5 per cent year-over-year. Furniture prices were up 8.7 per cent, appliances 6.2 per cent, and new vehicles up 6.1 per cent. Gasoline has propelled overall goods pricing. Service prices rose 2.9 per cent, compared to a 3.2 per cent increase in October.

Core inflation measures picked up slightly. While both the core- trim (3.4 per cent) and core-median measures (2.8 per cent) were unchanged from October, the preferred common measure rose from 1.8 per cent to 2.0 per cent. The average of the three measures edged above 2.7 per cent which is highest since the early 90's and uncomfortably high but still within the 1-3 per cent target inflation band.

Going forward, a mix of pressures are likely. The Omicron variant could further amplify supply chain challenges amidst higher food prices and shelter cost increases. Wage pressures are also building. Energy prices are providing some relief, but overall inflation is expected to hold above four per cent in early 2022 before easing through the remainder of the year. We expect the Bank of Canada to lift rates in April.

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