



Lower gasoline prices moderate CPI inflation in November

Inflation for the month of November was a positive sign this month. It came in at 6.8 per cent on a year over year basis. On a month over month basis, CPI rose 0.1 per cent in November, much slower than the 0.7 per cent gain in October. On a seasonally adjusted basis, CPI was up 0.4 per cent.

Relief was seen at the pump as gasoline prices fell 3.6 per cent in November. Most of this relief was in the West, where refineries in the U.S. resumed operation and helped ease supply and lower prices. Over there, gasoline prices fell around 10 per cent. Food prices though continued to climb higher, as they had increased 10.3 per cent with increased being relatively broad. Groceries prices especially accelerated to 11.4 per cent. Shelter prices also nudged higher, increase 7.2 per cent year over year for this month, compared to the 6.9 per cent seen in October.

Relief was also seen in other categories. On a month over month basis, clothing and footwear fell 0.4 per cent and resulted in a year over year increase of only 0.4 per cent. Transportation cost also fell 0.9 per cent and resulted in a year over year increase of 8.5 per cent, lower than the 9.5 per cent seen in the previous month. On the other hand, Shelter prices continued to climb. They were up 7.2 per cent on a year over year basis. Rent continues to climb, up 5.9 per cent for the year and up 1.2 per cent over the previous month. Mortgage interest cost also increased with higher interest rates. Month over month increases were 2.5 per cent and year over year increases were 14.5 per cent.

Broadly, goods prices slowed from an 8.4 per cent year-over-year pace in October to 8.0 per cent in November, driven by energy products, while services prices edged higher to 5.8 per cent. Excluding food and energy – a widely used measure of core inflation in other countries – prices edged back up to 5.4 per cent from 5.3 per cent, but only showed a 0.1 per cent increase over the previous month.

Regionally, inflation levels were mixed. Prices accelerated more in the Eastern provinces, excluding Ontario while the in Western provinces, excluding Manitoba, price decelerated. High increases were seen in Prince Edward Island (9.7 per cent), Nova Scotia (8.6 per cent), and Manitoba (8.5 per cent). Provinces that saw lower year over year increases include British Columbia (7.2 per cent), Ontario (6.4 per cent), Saskatchewan (6.9 per cent), and Alberta (6.6 per cent).

Overall, inflation did moderate this month but is still high. Core inflation also nudged higher and as a result, the Bank of Canada may feel pressure to continue hike rates into the new year, albeit more modestly. It's likely larger hikes in the 50+ basis point range will not be seen in the new year.

Alan Chow
Business Economist
Central 1 Credit Union
alan.chow@central1.com