



## Inflation holds steady at 3.1 per cent in November

Canadian consumer price index (CPI) held steady in November with a 3.1 per cent year-over-year increase, matching that which was seen in October. It was a surprise to economists as the consensus expectations were for a decline to 2.9 per cent. With inflation remaining slightly above the target range of 1-3 per cent, expectations have slightly pulled back for a possible rate cut early next year and reinforces the Bank of Canada's belief it still has not seen evidence inflation is on a sustained path downward. Seasonally adjusted, month-over-month inflation increased 0.3 per cent.

Food prices continued to increase, but at a slower pace. They were up 5.0 per cent in November compared to 5.6 per cent in October. This was the fifth month in a row food inflation has slowed, although within food prices, the price of meat, preserved vegetables and vegetable preparations increased. Sugar and confectionery product prices also increased, possibly due to the effects of the ongoing strike at Rogers sugar refinery in Vancouver, which has caused some local disruptions. Food purchased from restaurants was also up 5.5 per cent.

Energy prices fell more than they did the previous month, down 5.7 per cent in November compared to 5.4 per cent in October. Leading the way was a decline in fuel oil, which was down 23.6 per cent. Gasoline prices remained down with a year-over-year decline of 7.7 per cent, although the decline was slightly lower than previous month's 7.8 per cent dip and natural gas prices saw an annual decline of 14.1 per cent. On the other end, electricity prices rose 8.2 per cent as Ontario increased their rates during that month.

Statistics Canada highlighted that travel tour prices put upward pressure on CPI as they unexpectedly increased 26.1 per cent year over year and "mainly attributed to events held at destination cities" (e.g., Formula One in Las Vegas). Overall, service prices remain elevated, increasing 4.6 per cent on a year-over-year basis, the same as in October.

CPI excluding food and energy headed higher, up 3.5 per cent from 3.4 per cent. Mortgage interest cost remained elevated, up 29.8 per cent annually, although that is slightly lower than the previous month's 30.5 per cent annual increase. Rent was also up 7.4 per cent annually in November but was down from October's annual increase of 8.2 per cent. Overall shelter cost was up 5.9 per cent, which is slightly down from last month's 6.1 per cent increase.

Broadly speaking, the price increase on goods has slowed, up 1.4 per cent annually compared to 1.6 per cent the previous month. The price of non-durable goods was up 1.7 per cent while the price of semi-durable and durable goods was up 1.6 per cent and 0.7 per cent, respectively. The increase in the price of services remained the same, up 4.6 per cent.

With overall inflation unchanged in November, the Bank of Canada faces less pressure to begin cutting rates despite the weakening economy. Labour markets have cooled significantly since they reached their peak although wage growth is still robust. That said, we are still expecting inflation to cool more by the beginning of the second quarter and for the Bank of Canada to begin considering a rate cut, likely before that quarter ends.

Canada Consumer Price Index			
Period	2023M09	2023M10	2023M11
<i>All-Items</i>			
Actual y/y %ch.	3.8	3.1	3.1
Actual, m/m %	-0.1	0.1	0.1
Seas. adj., m/m %	0.1	0.0	0.3
<i>CPI by Select Product Group, y/y % ch.</i>			
Exc. food and energy	3.2	3.4	3.5
Goods	3.6	1.6	1.4
Services	3.9	4.6	4.6
Food	5.9	5.6	5.0
Shelter	6.0	6.1	5.9
Gasoline	7.5	-7.8	-7.7
<i>Bank of Canada Core Measures, y/y % ch</i>			
Common	4.4	4.2	3.9
Trim	3.6	3.5	3.5
Median	3.7	3.4	3.4
<i>3-mth trend, seasonally-adjusted (ann.)</i>			
All-Items	5.5	3.1	1.5
Exc. food and energy	3.6	3.6	4.1

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