

Canada's inflation rate holds steady; retail sales edge higher

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Canada's annual inflation rate remained at 1.5 per cent in June, staying below the Bank of Canada's 2-per-cent target for a fifth consecutive month, Statistics Canada data indicated on Friday.

Analysts polled by Reuters had forecast the rate would dip to 1.4 per cent. Prices rose by 0.2 per cent from May.

Prices rose in all major components in the 12 months to June, with the shelter index posting a 1.6 per cent gain and food prices rising by 1.3 per cent.

The core inflation rate, which strips out the prices of some volatile items and is closely watched by the Bank of Canada, remained at 2.1 per cent.

The central bank cut rates twice last year to help the economy deal with the shock of low oil prices. A Reuters poll on July 7 found markets expected the bank to stay on the sidelines for at least another year.

Meanwhile, Canadian retail sales rose by 0.2 per cent in May from April to hit a record \$44.28-billion, largely because of increases for food, drink and gasoline, Statscan said in a separate release Friday.

The gain, the fourth in five months, contrasted with a forecast of no growth in a Reuters poll, while in volume terms, May sales edged up 0.1 per cent. The previous record was the revised \$44.21-billion reported for April.

Overall, sales rose in six of 11 subsectors, representing 51 per cent of the total. Food and beverage stores posted a 2.1 per cent increase, and gas stations, a 2.3 per cent gain.

Sales at car and parts dealers, the largest of the subsectors, slipped by 2 per cent, falling for the third consecutive month.

Sales dropped by 0.4 per cent in Alberta on declines at new car dealers, the main retail store type affected by a major wildfire that forced the evacuation of Fort McMurray.