

Canadian inflation falls to 1.9 per cent in August on lower gas prices

By Kelsey Johnson

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Canada's annual inflation rate fell slightly to 1.9 per cent in August on lower gasoline prices, Statistics Canada said on Wednesday in its first major data release since politicians formally hit the campaign trail.

Analysts in a Reuters poll had forecast an inflation rate of 2 per cent. Canada's annual inflation rate in July was 2 per cent. After the data release, the Canadian dollar held steady near \$1.3250, or 75.47 U.S. cents.

The country is in the midst of a national election with polls showing the governing Liberals in a tight bid for re-election against the opposition Conservatives, who have focused their campaign on issues related to the cost of living and affordability. Canadians vote on Oct. 21.

Consumer prices for gasoline, Statscan said, fell 10.2 per cent in the 12 months to August after a 6.9-per-cent decline in July. Global oil prices also declined slightly in August, owing to higher production and softer international demand. Meanwhile, the price of fresh vegetables dropped 6.5 per cent in August from July – the largest month-over-month decline seen in five years – as temporary pressures because of inclement weather in agricultural regions eased.

Fresh and frozen pork were also cheaper, dropping 2.7 per cent from July owing to trade restrictions on Canadian pork exports. Despite the weaker pork prices, Statscan said the

overall year-over-year cost for meat rose 4.8 per cent in August.

Earlier this month, the Bank of Canada held interest rates steady and made no mention of future cuts. The central bank, which has sat on the sidelines since last October, has said the economy is showing a “welcome degree of resilience” to negative shocks.

“For the Bank of Canada, it means that unless the economy faces a significant shock, there's probably no imminent need to cut interest rates,” said Sal Guatieri, a senior economist for BMO Nesbitt Burns.

Airfare soared 10.3 per cent year-over-year in August after a 4.6-per cent jump in July, because of the grounding of the Boeing 737 Max aircraft, Statscan said.

That sustained increase surprised TD Securities' Robert Both. “We think when those [groundings] come off over the next couple of months, that should take a little heat out of things,” he said.

CPI (Consumer Price Index) core, which the central bank says is the best gauge of the economy's underperformance, fell to 1.8 per cent from 1.9 per cent in July.

CPI median, which shows the median inflation rate across CPI components, and CPI trim, which excludes upside and downside outliers, were both at 2.1 per cent.