

## Canadian inflation 'going nowhere fast'

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OTTAWA -- Consumer prices in May were up 1.4% from a year earlier, mainly on higher energy prices, Statistics Canada said Tuesday.

“Overall, energy prices rose 6.2% between May 2009 and May 2010, following a 9.8% increase during the 12-month period to April,” the federal agency said.

The core inflation rate, which strips out volatile items such as energy and certain foods, advanced at an annual rate of 1.8%.

Economists were expecting an overall inflation rate of 1.3% for May, and a core level of 1.7%. April's inflation rate came in at 1.8% and core inflation was 1.9%.

“Canadian inflation is going nowhere fast,” Douglas Porter, deputy chief economist at BMO Capital Markets said in a morning note. He added that the harmonized sales tax taking effect in Ontario and B.C. this summer will give prices a temporary boost, but “underlying inflation trends remain quite benign.”

“It's neither sprinting higher, nor falling dangerously close to deflation terrain (as in the U.S.) ... There's not much new news here for the Bank of Canada, with core inflation perhaps a touch lighter than they initially expected.”

In May, gasoline prices were 6.9% higher than a year earlier, after increasing 16.3% the previous month. Prices for fuel oil and other fuels rose 19.9% in May. Excluding energy, the Consumer Price Index rose just 1% in May, after increasing 1.1% in April.

Transportation prices rose at an annual rate of 4.1% in May on higher gasoline and passenger vehicle prices. Consumers also saw a 5.1% increase in passenger vehicle insurance premiums.

Only clothing and footwear, recreation, education and reading saw price declines.

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