

CANADA

Canada's Annual Inflation Slowed to 1.9% in August

Reading remains close to Bank of Canada's target for a sixth straight month



The Jean-Talon Market in Montreal. Prices of fresh vegetables in Canada fell on a month-over-month basis by the most in five years in August. PHOTO: CHRISTINNE MUSCHI/BLOOMBERG NEWS

By Paul Vieira

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OTTAWA—Canada's annual inflation rate slowed slightly in August because of a price drop in gasoline and fresh vegetables, although it remained close to the Bank of Canada's 2% target for a sixth straight month.

Canada's consumer-price index increased 1.9% on a year-over-year basis in August, Statistics Canada said Wednesday, compared with a 2% rise in the previous month. The August reading was a notch below the market consensus of 2%, according to economists at Bank of Nova Scotia.

On a month-over-month basis, the index declined 0.1%.

The Bank of Canada's preferred measures for underlying inflation remained largely unchanged from the previous month, with the average core CPI for August coming in at 2%, versus a 2.03%

average in the previous month. These core readings are designed to filter out volatile, month-to-month swings in prices.

The Bank of Canada sets its main interest rate to achieve 2% annual inflation.

Statistics Canada said inflation has climbed by 1.9% or more on a year-over-year basis for six straight months, after reaching a low of 1.4% in January.

Lawrence Schembri, a senior Bank of Canada official, said this month that, compared with other major economies dealing with persistently low inflation, “inflation in Canada has been well behaved.”

The Bank of Canada kept its benchmark interest rate unchanged at 1.75% this month, and signaled it would keep its options open for its next move given heightened global trade tensions.

Mr. Schembri said core inflation continues to hover in the 2% range, “which is consistent with the idea that the economy’s output gap is essentially closed.” The output gap is a gauge of how much, if any, spare capacity exists in an economy.

The August report indicated lower gasoline prices weighed on results. Consumer prices for gasoline fell 10.2% in August from a year ago, on softness in global oil prices. That trend will likely be reversed in the September data, as global oil prices surged in the immediate aftermath of weekend attacks on a Saudi Arabian oil facilities.

The data agency said prices for fresh vegetables rose 14.8% on an annual basis in August, a slowdown from the nearly 19% gain in the previous month. A month-over-month price drop of 6.5% in this category was the largest in five years.

Statistics Canada said when energy and food prices are excluded, inflation rose 2.2% on a one-year basis. Food and energy comprise almost 23% of the CPI basket of goods.

Excluding the price of gasoline, inflation climbed 2.4%.

The report said the prices for goods rose 1.6%, whereas the cost of services—such as a haircut, accounting, and legal advice—climbed 2.6%. On average, the data agency estimates Canadians acquire more services than goods in a given month.

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