DEVELOPING

Canada’s inflation rate increases to 4% in August even as food prices slow

On a year-over-year basis, prices for food bought at stores rose 6.9 per cent in August compared with an 8.5 per cent increase in July.

By Ghada Alsharif Business Reporter

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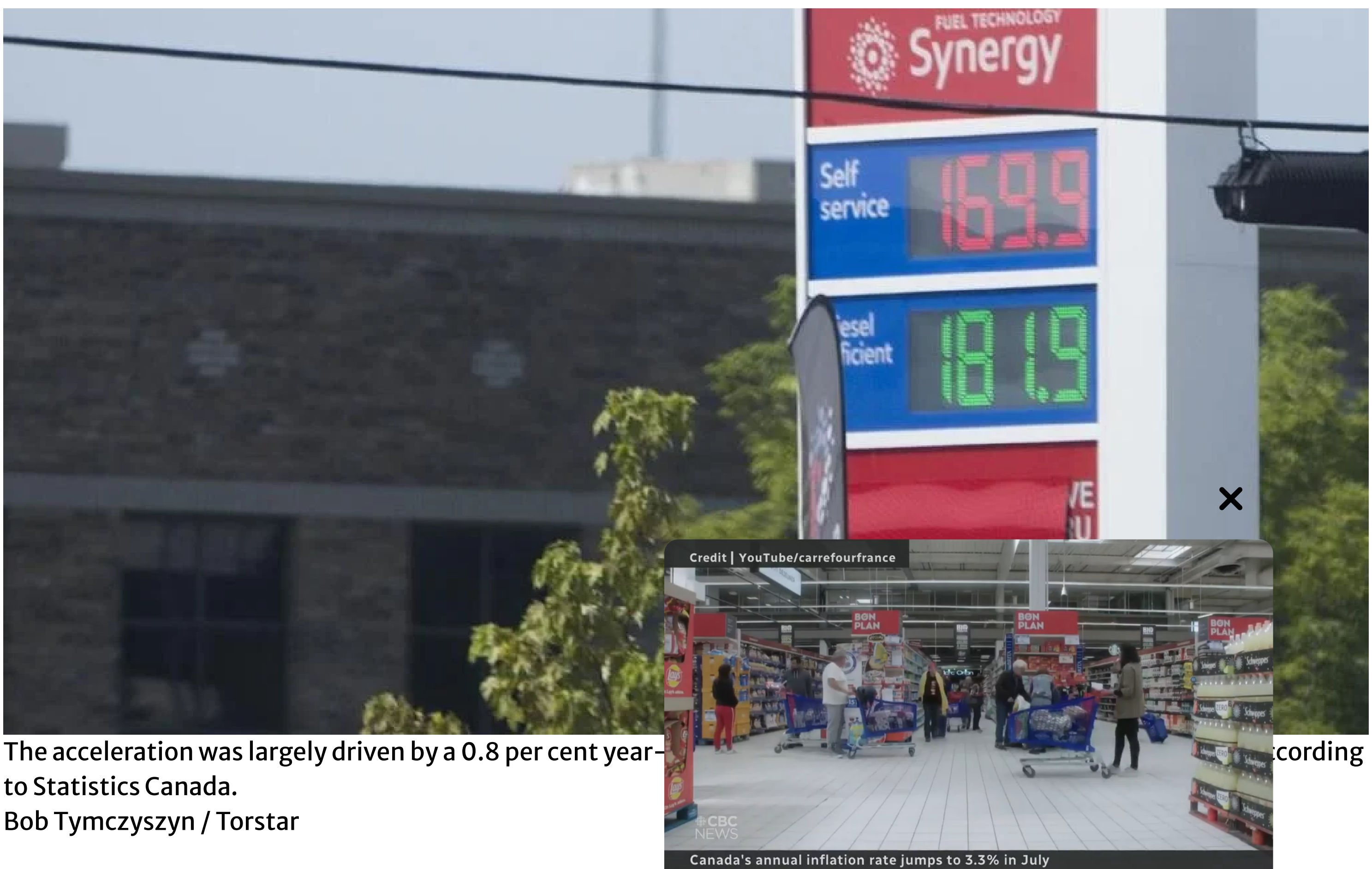

The acceleration was largely driven by a 0.8 per cent year- ... cording to Statistics Canada.
Bob Tymczyszyn / Torstar

Canada’s annual inflation rate in August increased to four per cent from 3.3 per cent in July, the highest since April, Statistics Canada reported on Tuesday, as the price of gasoline surged.

The inflation rate remains well above the Bank of Canada’s target of two per cent. The acceleration was largely driven by a 0.8 per cent year-over-year increase in prices for gasoline in August, the first yearly increase since January 2023, after falling 12.9 per cent in July.

While year-over-year price growth for groceries slowed in August, prices remained high, Statistics Canada said. On a year-over-year basis, prices for food bought at stores rose 6.9 per cent in August compared with an 8.5 per cent increase in July.

The consumer price index — a broad-based measure of inflation — was 3.3 per cent higher in July than it was a year earlier. Canada’s inflation rate tumbled to 2.8 per cent in June, entering the Bank of Canada’s target range of one to three per cent for the first time since March 2021. The victory on reaching that benchmark was short-lived, however, as inflation ticked up the next month.

In March 2022, the Bank of Canada began an aggressive rate-hike campaign in a bid to drive inflation down. Before the campaign, the bank’s key overnight lending rate sat at 0.25 per cent. Now, it’s at five per cent, the highest in 22 years.

As the Bank of Canada struggles to bring inflation under control, it continues to rely on hiking interest rates. The Bank announced earlier this month that it’s leaving its key overnight lending rate at five per cent, but didn’t rule out further hikes as it attempts to drive inflation down.

"These energy costs will feed through the whole economy," said Jim Stanford, chief economist at the Centre for Future Work. "I think this could increase the likelihood of further interest rate hikes."

More to come.

With files from The Canadian Press and Josh Rubin.

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