

# Inflation rate rises to highest level in 6 years at 2.5%

Annie Rueter  
CBC News  
July 24, 2018

The cost of living in Canada is going up at its fastest pace since 2012, new numbers from Statistics Canada show, as gas prices have risen by almost 25 per cent since last summer.

The consumer price index rose to 2.5 per cent in June, from 2.2 per cent in May.

It's the highest inflation rate on record since February 2012, the data agency said.

Higher gas prices were one of the major factors in the increase, as pump prices have risen by 24.6 per cent from last summer's level. But it wasn't just gasoline — overall energy costs were a significant driver, up 12.4 per cent from last year.

Prince Edward Island has the highest inflation rate in the country, with prices rising by 2.9 per cent over the past year. The lowest is in Quebec, where the rate of increase has been two per cent.

In a separate release, Statistics Canada reported retail sales increased two per cent in May to \$50.8 billion, following a 0.9 per cent decline in April.

Douglas Porter, chief economist at BMO, said poor weather in April — especially in Ontario and Quebec — hurt retailers.

Auto sales jumped up 3.7 per cent during the month, but even if stripped out, retail sales were up a "strong" 1.4 per cent.

General merchandise stores, building materials and clothing accessories stores contributed to the gain, while food and beverage stores saw a decline in sales for the fourth time in five months.

Taken together, both reports point toward higher interest rates at the Bank of Canada, said James Marple, senior economist at TD.

"Downside risks to trade remain ... but the economic data are increasingly making the case for further Bank of Canada rate hikes," said Marple.

The strong showings in retail sales and the inflation figure suggest "the odds of one more hike this year have risen."

The Bank of Canada will release its next interest rate decision on Sept. 5.

