

BBVA Research Flash

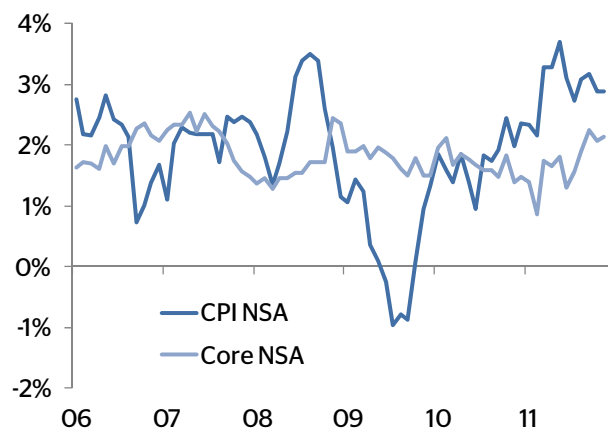
Canada

Canada: November Inflation Offers No Surprises

- **Headline inflation little changed from previous month**
- **Measures of underlying inflation evolving as expected by Bank of Canada (BoC)**
- **Data suggests Europe will remain the focus of BoC announcements**

As widely anticipated, November Canadian headline inflation showed little change at YoY rates compared to last month, growing 2.9% YoY (Expected: 2.9%, BBVA: 2.8%). The headline figure faced offsetting upward pressures from food and downward pressures from petrol. Core inflation similarly was unchanged from October, growing at a 2.1% YoY rate. This result was slightly away from the central tendency of market forecasters (Expected: 2.2%, BBVA: 2.0%). The underlying inflation index witnessed increases in passenger vehicle insurance premiums, meat and bakery products. Overall inflation is running higher than the Bank of Canada's (BoC) forecast set in October, but it is not substantially different. The deviation is related to higher-than-expected prices for WTI oil. The index of underlying inflation is matching BoC's expectations for 2011Q4. With inflation showing no material surprises, Europe's sovereign debt problems will remain the focus of BoC policy in released announcements for the near future.

Chart 1
Canada Headline and Core Inflation
In YoY % Change, Not Seasonally-Adjusted



Source: Haver Analytics

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