



Date: August 19, 2009

Canadian Consumer Price Index (Inflation), July 2009 Results

Source: Statistics Canada

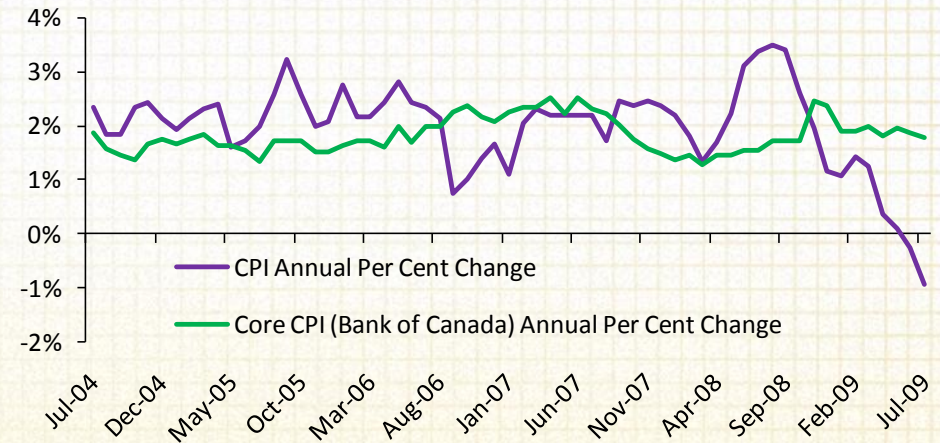
Link to Release:

<http://www.statcan.gc.ca/subjects-sujets/cpi-ipc/cpi-ipc-eng.htm>

Summary: The Consumer Price Index (CPI) allows us to measure the rate at which prices for consumer goods and services have increased (i.e. inflation). In July 2009 the “All Items” CPI dropped 0.9 per cent compared to July 2008. The products that posted the greatest price declines were in the “Energy” category, which includes gasoline, natural gas and fuel oil.

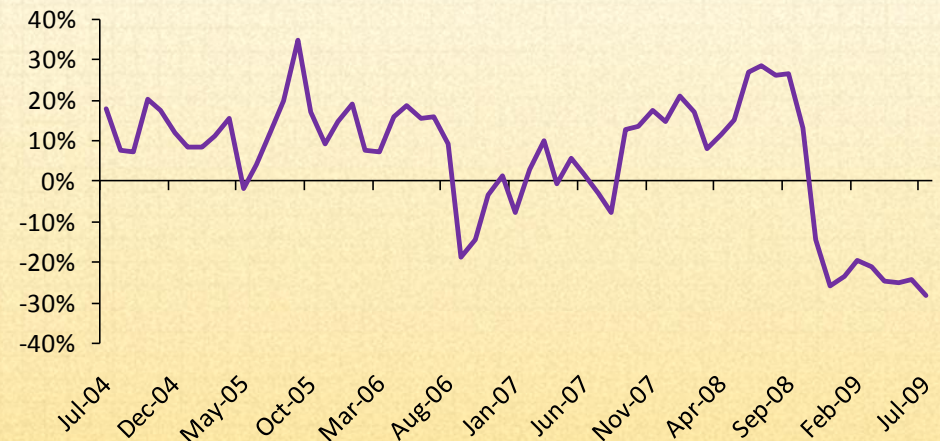
Analysis: The impact of the dramatic annual decline in energy prices this year can be seen when the CPI excluding energy prices is considered. The CPI excluding energy posted an annual *increase* of 1.8 per cent last month. The Bank of Canada “Core CPI”, which excludes energy and seven additional volatile components rose by 1.8 per cent as well. The Bank of Canada uses their Core CPI measure when making interest rate decisions. At 1.8 per cent, the July Core CPI increase was just slightly below the Bank’s target of two per cent. Currently, the Bank feels that in the current economic climate consumer price growth will remain in check. For this reason, the Bank is still indicating that their policy interest rate (the Overnight Lending Rate) will remain at its record low until the second half of 2010. However, the Bank is forecasting renewed economic in the latter part of 2009 and through 2010. As economic recovery takes hold, the Bank will start to consider interest rate hikes to keep consumer price growth in check.

Canadian Consumer Price Index (CPI) Year-Over-Year Per Cent Change



Source: Statistics Canada

Canadian Gasoline Price (CPI Component) Year-Over-Year Per Cent Change



Source: Statistics Canada