

# Inflation quickens as housing costs swell

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Canada's inflation rate accelerated to a 1.4-per-cent pace in November as consumers paid more for home repairs and mortgage costs rose at the fastest pace in more than five years.

The annual rate rose after a 0.9-per-cent gain in October, Statistics Canada said Tuesday. It was the first time in three months that the consumer price index passed the 1-per-cent mark as the effect of lower gasoline prices began to wear off.

“Homeowners again felt the pinch in November because of the upward pressure on the CPI exerted by replacement cost and mortgage interest cost, among other factors,” the report said.

That's not to say Canadian prices are taking off. The core rate of inflation, which strips out the eight most volatile items in the index such as fruit, vegetables and gasoline, eased to 2.2 per cent from 2.3 per cent. On a monthly basis, the core rate edged higher, but that was due to seasonal reasons such as the introduction of new car models.

Among regions, Alberta's inflation rate continues to outstrip the country, rising at a 3.7-per-cent pace. The rate actually fell in Whitehorse and Yellowknife and was little changed in the Atlantic provinces.

“None of this speaks to raging inflationary pressures,” said Eric Lascelles, senior fixed income strategist at TD Securities.

Several economists said they expect the Bank of Canada to remain on the sidelines in the coming months.

The main contributor to inflation last month was homeowners' replacement cost, which is the cost to replace the worn-out structural part of housing and is estimated using new housing prices, excluding land.

Those costs soared 8.2 per cent, the report said, and rose a whopping 45.2 per cent in Alberta alone. In Saskatchewan, which was second to Alberta, the gain was only 9.1 per cent.

Home insurance premiums also advanced, while mortgage interest costs rose at the fastest pace since March, 2001. Those costs, which measure changes in the amount of mortgage interest owed by consumers, climbed 4.7 per cent between November of this year and last year.

“It was the first time since March, 2003 that interest rates have exerted a positive influence on the rise in mortgage interest cost,” Statscan said.

Prices for food purchased in restaurants jumped 2.8 per cent, while electricity prices rose 5 per cent amid rate hikes in Alberta.

On a yearly basis, consumers paid less for autos, fossil fuels and computer equipment and supplies.

Among food items, prices have risen the most for chicken, canned fish, cheese, bread, oranges, jam, lettuce and especially tomatoes, which jumped 23.1 per cent over last year.

Analysts had expected an annual inflation rate of 1.5 per cent and a core rate of 2.1 per cent.