



Latest release from the Consumer Price Index

Released at 7:00 a.m. Eastern time in *The Daily*, October 19, 2007

Consumer Price Index

September 2007

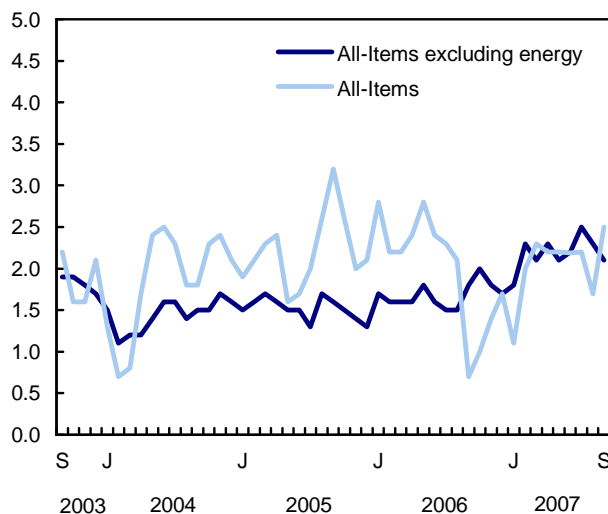
Owing largely to higher gasoline prices in September 2007 compared with low levels in September 2006, consumer prices rose by 2.5% during the same period. This was a sharp acceleration from the 1.7% increase posted in August. Excluding gasoline, consumer prices rose by a more moderate 2.0% between September 2006 and September 2007.

Excluding energy, consumer prices advanced 2.1%, compared with the 2.3% annual rate of growth posted in August.

The Bank of Canada's core index, used to monitor the inflation control target, rose by 2.0% between September 2006 and September 2007, a deceleration from the rate of 2.2% posted in August 2007. This was the lowest rate of growth in the core CPI since August 2006.

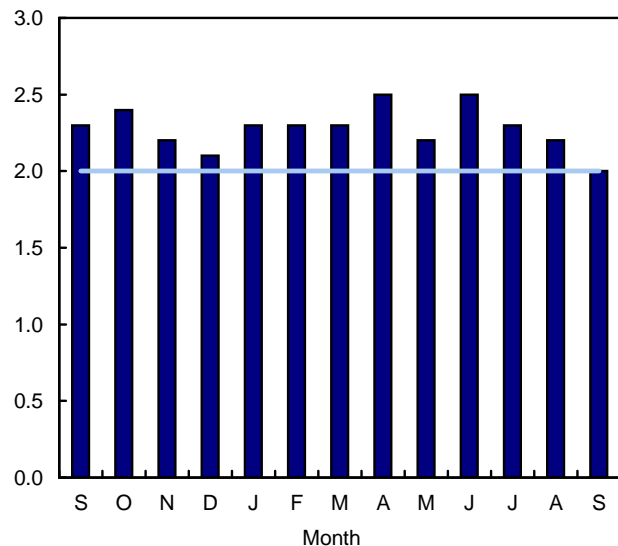
Percentage change from the same month of the previous year

% change



Percentage change in the Bank of Canada's core index from the same month of the previous year

% change



It was the highest year-over-year increase in the all-items index since May 2006, and the sharpest acceleration since February of this year.

Gasoline prices were the primary cause of an increase in the 12-month variation of the Consumer Price Index (CPI) in most provinces.

The year-over-year increase in gasoline prices (+12.7%) owed more to a sudden drop in last year's prices than to any significant developments in the most recent month. Indeed, on a month-to-month basis, gasoline prices barely budged, rising a mere 0.8% from August to September 2007.

On a year-over-year basis, lower prices for natural gas and computer equipment and supplies partially offset the impact of gas prices.

On a month-to-month basis, the all-items CPI rose 0.2% between August and September 2007, after declining 0.3% between July and August. This increase was due primarily to a rise in prices for women's clothing, the purchasing and leasing of passenger vehicles and the cost of postsecondary education.

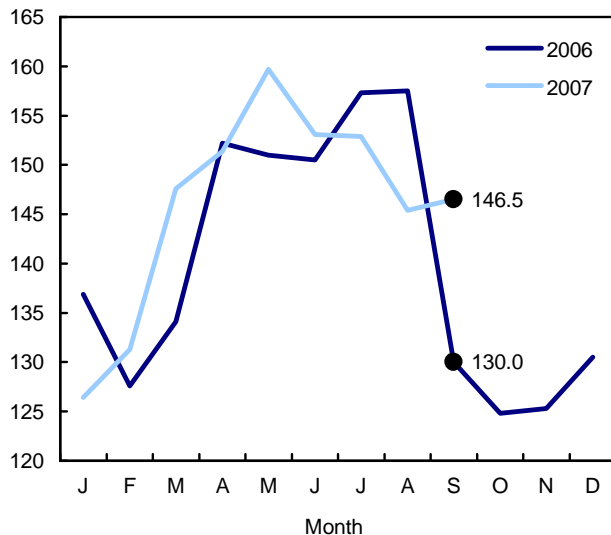
The CPI excluding energy advanced 0.2% between August and September, after posting no growth in the previous month. The core index rose 0.4%, compared with a 0.1% rate of growth in the previous month.

12-month change: Higher gasoline prices exert strong upward pressure

Gasoline prices were the main factor behind the 2.5% climb in consumer prices between September 2006 and September 2007.

Gasoline Index, Canada

Index (2002=100)



Prices at the pump were 12.7% higher in September than they were in September 2006. This was the fastest rate of growth since July 2006 and was due to a sharp drop in gasoline prices in September 2006. On a monthly basis, pump prices remained relatively stable between August and September this year, rising a moderate 0.8%.

Owned accommodation cost also pushed up the 12-month change in the CPI in September, rising 4.8%. Homeowner's replacement cost, which represents the worn-out structural portion of housing, and mortgage interest cost were the primary drivers of the increase in costs to Canadian homeowners.

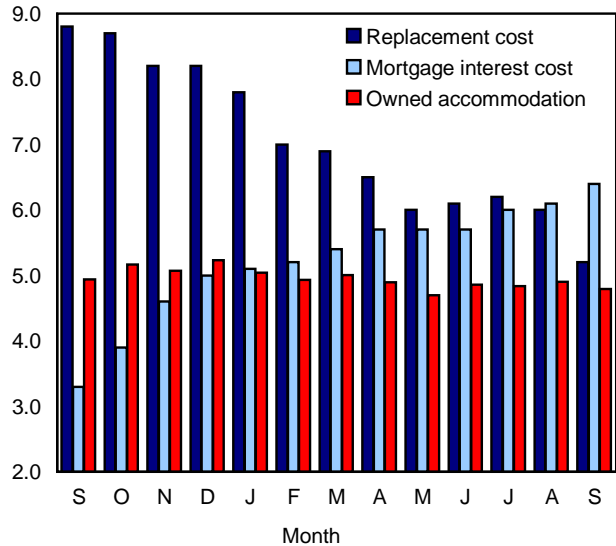
Over time, mortgage interest cost has become an increasingly important driver of the overall change in owned accommodation. Between September 2006 and September 2007, mortgage interest cost rose by 6.4%, compared with 6.1% in August. This is the highest rate of growth since June 1991.

Homeowners' replacement costs were 5.2% higher in September than they were a year earlier. However, this component's contribution to owned accommodation has been tapering off.

Housing costs also accelerated, due to a 2.1% increase in the price of electricity and a 9.0% rise in the price of water.

Percentage change in owned accommodation index buoyed by mortgage interest and replacement cost

% change



Food prices rose 1.9% in September compared with September 2006, primarily the result of a 3.3% year-over-year increase in the price of food purchased from restaurants. This increase was partially offset by declines in the price of fresh vegetables and fresh fruit.

On the other hand, consumers got some relief from a decline in natural gas prices. These fell 7.6% in September compared with September 2006, following a moderate increase of 0.6% in the previous month.

Also moderating the increase in consumer prices were declines for computer equipment and supplies (-13.9%), the purchasing and leasing of vehicles (-1.0%), fresh vegetables (-9.2%), fresh fruit (-4.2%), women's clothing (-3.4%) and video equipment (-9.7%).

Price increases higher than national average in four provinces

On a year-over-year basis, consumer prices increased at a faster pace than the national average in only four provinces in September: New Brunswick (+2.9%), Manitoba (+2.8%), Saskatchewan (+3.8%) and Alberta (+4.6%).

The CPI accelerated in every province except Alberta, where the increase eased off slightly from the 12-month change of 4.7% in August. This was the lowest level of growth in consumer prices in Alberta since the beginning of the year.

The primary cause of the slowdown in Alberta was a 28.7% year-over-year decline in natural gas prices and a deceleration in the cost of owned accommodation.

Gasoline was the main factor in the increase in the CPI for most provinces. Gas price increases ranged from a hefty 18.4% in Alberta to a more moderate 3.2% in New Brunswick. The only provinces where drivers did not face double-digit growth were British Columbia, Newfoundland and Labrador, Prince Edward Island and New Brunswick.

In New Brunswick, a 17.9% jump in the year-over-year price of electricity drove the growth of the CPI above the national level.

Much of the variation in the 12-month CPI among the provinces was due to differences in the change of costs for owned accommodation. Owned accommodation continued to be a principal source of growth in consumer prices in September, primarily because of increases in homeowners' replacement cost and mortgage interest cost.

In Saskatchewan, homeowners' replacement costs shot up 44.8% between September 2006 and September 2007. This compares with increases of 13.0% for homeowners in Alberta, 8.3% in Manitoba and 7.6% in Nova Scotia. The year-over-year growth for all other provinces was below the national average (+5.2%).

Month-over-month: Price of women's clothing pushes monthly CPI ahead

The main factor in the 0.2% increase in consumer prices between August and September 2007 was a 5.9% increase in the price of women's clothing, caused by the arrival of the new women's collections in retail outlets.

It was accompanied by a 1.1% increase in the price of purchasing and leasing of passenger vehicles. This was the result of a decrease in incentives offered by car manufacturers in September.

The cost of obtaining a postsecondary education also drove up consumer prices between August and September. Students paid 3.0% more for their tuition fees in 2007. Higher tuition fees in Ontario (+4.1%) explained most of the upward trend in this index.

Also exerting upward pressure, but to a lesser extent, were a 0.8% increase in mortgage interest cost, a 0.8% gain in gasoline prices and a 2.3% increase in the cost of child care.

These price increases were partially offset by declines for fresh vegetables (-8.9%), air transportation (-4.9%), fresh fruit (-6.4%) and natural gas (-2.3%). The decline in natural gas prices was due largely to a 14.2% drop in the price for natural gas in Alberta from August to September.

The month-over-month price of vegetables contracted for the seventh consecutive month, following a surge in fresh vegetable prices in February.

A substantial 15.7% decline in the price of potatoes between August and September, as a result of seasonal factors, was the primary cause for the decrease in fresh vegetable prices.

Available on CANSIM: tables 326-0020, 326-0021, 326-0009, 326-0012, 326-0015 and 326-0022.

Definitions, data sources and methods: survey number 2301.

More information about the concepts and use of the CPI are also available online in *Your Guide to the Consumer Price Index* (62-557-XIB, free) from the *Publications* module of our website.

Available at 7 a.m. online from *The Daily* module of our website.

The September 2007 issue of the *Consumer Price Index*, Vol. 86, no. 9 (62-001-XWE, free), is now available from the *Publications* module of our website. A paper copy is also available (62-001-XPE, \$12/\$111). A more detailed analysis of the CPI is available in this publication. See *How to order our products*.

The October Consumer Price Index will be released on November 20.

For more information or to enquire about the concepts, methods or data quality of this release, call Client Services (toll-free 1-866-230-2248; 613-951-9606; fax 613-951-1539; prices-prix@statcan.ca), Prices Division.

□

Consumer Price Index and major components (2002=100)

	Relative importance ¹	September 2007	August 2007	September 2006	August to September 2007	September 2006 to September 2007
Unadjusted						
		% change				
All-items	100.00²	111.9	111.7	109.2	0.2	2.5
Food	17.04	110.9	111.8	108.8	-0.8	1.9
Shelter	26.62	117.8	117.6	114.0	0.2	3.3
Household operations, furnishings and equipment	11.10	103.7	103.5	102.1	0.2	1.6
Clothing and footwear	5.36	97.4	95.4	98.5	2.1	-1.1
Transportation	19.88	116.9	116.3	112.8	0.5	3.6
Health and personal care	4.73	107.6	107.6	106.0	0.0	1.5
Recreation, education and reading	12.20	103.4	102.9	101.5	0.5	1.9
Alcoholic beverages and tobacco products	3.07	126.6	126.1	122.0	0.4	3.8
All-items (1992=100)		133.2	132.9	130.0	0.2	2.5
Special aggregates						
Goods	48.78	107.8	107.7	106.4	0.1	1.3
Services	51.22	115.9	115.6	111.9	0.3	3.6
All-items excluding food and energy	73.57	109.7	109.2	107.4	0.5	2.1
Energy	9.38	136.6	136.4	128.8	0.1	6.1
Core Consumer Price Index ³	82.71	110.5	110.1	108.3	0.4	2.0

- 2005 CPI basket weights at April 2007 prices, Canada - effective May 2007. Detailed weights are available under the Documentation section of survey 2301 (<http://www.statcan.ca/english/sdds/index.htm>).
- Figures may not add up to 100% due to rounding.
- The measure of the core Consumer Price Index (CPI) excludes from the all-items CPI the effect of changes in indirect taxes and eight of the most volatile components identified by the Bank of Canada: fruit, fruit preparations and nuts; vegetables and vegetable preparations; mortgage interest cost; natural gas; fuel oil and other fuel; gasoline; inter-city transportation; and tobacco products and smokers' supplies. For additional information on the core CPI, please consult the Bank of Canada website (www.bankofcanada.ca/en/inflation/index.htm).

Consumer Price Index by province, and for Whitehorse, Yellowknife and Iqaluit¹ (2002=100)

	September 2007	August 2007	September 2006	August to September 2007	September 2006 to September 2007
Unadjusted					
	% change				
Newfoundland and Labrador	111.1	111.1	109.7	0.0	1.3
Prince Edward Island	114.0	113.8	111.6	0.2	2.2
Nova Scotia	112.9	112.7	110.6	0.2	2.1
New Brunswick	112.0	111.4	108.8	0.5	2.9
Quebec	110.5	110.1	108.4	0.4	1.9
Ontario	111.0	110.9	108.5	0.1	2.3
Manitoba	111.8	111.2	108.8	0.5	2.8
Saskatchewan	113.4	113.1	109.3	0.3	3.8
Alberta	119.4	119.3	114.1	0.1	4.6
British Columbia	110.5	110.4	108.4	0.1	1.9
Whitehorse	110.8	110.5	107.2	0.3	3.4
Yellowknife ²	111.6	111.1	107.8	0.5	3.5
Iqaluit (Dec. 2002=100)	109.1	108.9	105.0	0.2	3.9

- View the geographical details for the city of Whitehorse, the city of Yellowknife and the town of Iqaluit.
- Part of the increase first recorded in the shelter index for Yellowknife for December 2004 inadvertently reflected rent increases that actually occurred earlier. As a result, the change in the shelter index was overstated in December 2004, and was understated in the previous two years. The shelter index series for Yellowknife has been corrected from December 2002. In addition, the Yellowknife All-items CPI and some Yellowknife special aggregate index series have also changed. Data for Canada and all other provinces and territories were not affected.