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Ministry of Management Services

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Consumer Price Index ◆ August 2004

Highlights

- BC's Consumer Price Index rose 2.0% from August of 2003. Manitoba and Prince Edward Island shared the greatest increase with a 2.6% rise in prices compared to a year ago. The lowest year-over-year inflation rate was seen in Ontario with a 1.5% increase. Nationally, prices rose 1.9% over the same period.

- Of the metropolitan areas, Winnipeg and Charlottetown posted the highest increases in the CPI from August 2003 at 2.5%, while residents of Thunder Bay enjoyed the lowest increase at 1.0%. Over the same period, Victoria's CPI rose 2.3%, while Vancouver's rose 2.1%.

- Compared to a year ago, BC residents paid more for education (+20.4%), fuel oil (+14.4%), meat (+11.0%), gasoline (+6.8%), electricity (+6.5%), and women's clothing (+6.4%). Offsetting these increases were lower costs for non-alcoholic beverages (-7.7%), fresh vegetables (-7.3%), children's clothing (-3.2%), and natural gas (-3.1%).

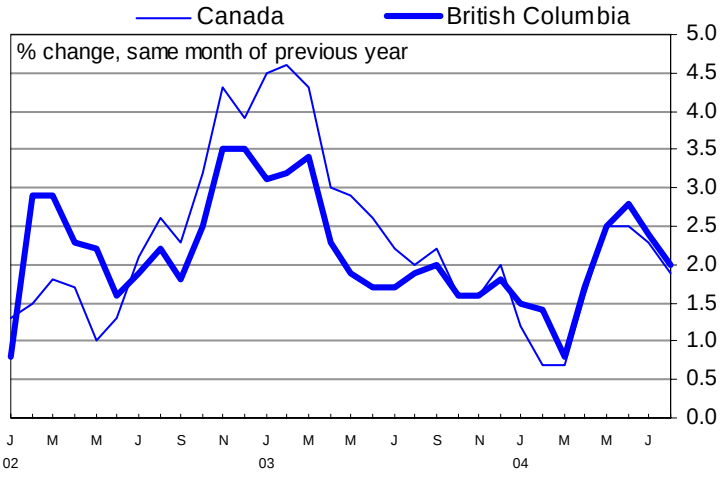
- BC's Energy Index (which includes natural gas, fuel oil, electricity and gasoline) rose 0.4% **from last month,** entirely due to a 0.9% increase in gasoline prices. Gas, oil and electricity prices remained unchanged from July 2004.

- BC's CPI, excluding food and energy, was 2.0% higher than in August 2003. The comparable figure for Canada was 1.2%.

Note: Statistics Canada will release the September Consumer Price Index on October 26, 2004.

1992=100	Index	% Change from	
	August 2004	July 2004	August 2003
Canada	124.8	-0.2	1.9
BC	123.3	-0.1	2.0
Vancouver	124.0	0.1	2.1
Victoria	123.3	0.0	2.3
Core Canada[1]	124.3	-0.2	1.6

Inflation Trend Descending



1992=100	Latest 12-Month Average Index (ending in Aug. 2004)	Latest 12-Month Average % Change	2003 Annual Average % Change
Canada	123.7	1.7	2.8
BC	121.9	1.8	2.1
Vancouver	122.5	1.8	2.0
Victoria	121.7	2.0	2.2

[1]**The Core CPI for Canada:** Defined by the Bank of Canada as the All-items index excluding the eight most volatile components (fruit, vegetables, gasoline, fuel oil, natural gas, mortgage interest, inter-city transportation and tobacco products). Also excluded is the effect of changes in indirect taxes on the remaining components.

Consumer Price Index—Terms and Definitions

Base Effect

The 12-month variation in the CPI is calculated by comparing the current month's index with the index for the same month of the previous year. The 12-month change is represented by the difference in the indexes of the reference months. Thus, the 12-month variation can decrease from one month to the next merely because the base serving as the point of comparison increased.

Source: Statistics Canada

Twelve-Month Percent Changes

Also referred to as "year-over-year", twelve-month percent changes compare indexes for a given month to indexes for the same month of the previous year. As they compare two points in time, they are influenced by unusual or temporary events that can affect either of the two months. Their calculation does not include any of the intervening monthly indexes.

Source: Statistics Canada

Annual Average Index

Annual average indexes are calculated by averaging index levels over the 12 months of the calendar year. These data should not be confused with the 12-month change in the CPI. By the nature of the calculation, averaging indexes over the calendar year gives a better representation of price behaviour over the whole year and is closer to the concept of an average price. The use of annual averages is considered the preferred option for indexation purposes.

Source: Statistics Canada

Latest Twelve-Month Average Index

The latest twelve-month average index (ending in the current month) is a 12-month moving average of the indexes of the most recent 12 months. It is calculated like the annual average index. Hence, in theory, the December twelve-month average index would be equal to the annual average index for the calendar year. However, in practice, when BC STATS makes these calculations from published data, the December 12-month average index may differ from Statistics Canada's published annual average index due to rounding.

Source: Statistics Canada and BC Stats

Changes to the Treatment of Rebates in the Consumer Price Index

Beginning with the Consumer Price Index for October 2003, Statistics Canada will change its treatment of rebate payments. The change will affect some types of rebate programs usually related to electricity or natural gas utilities.

Rebates will no longer be reflected in the CPI if they are paid on the basis of past consumption and were not known to consumers at the time of consumption.

To be reflected in the CPI, rebates or credits must relate to specific products and apply to all consumers (or a large proportion of consumers) of the product affected. CPI practice has been to reflect the impact of rebates at the time when rebates are paid. If a rebate was greater than the average monthly charge, the remainder of the rebate was reflected in following months until the rebate had been fully accounted for. Thus the CPI could reflect an average price close to zero for one month or several months in some situations. As a result, the treatment

of rebates has had a significant effect on the rate of change in the CPI, making the indexes for utilities particularly volatile.

The impact of the change will be to reduce short-term fluctuations in the CPI arising from rebates on past consumption. By treating retroactive rebates as windfalls to income rather than as price changes, the level of the CPI will be higher for the months that would have been affected under the past treatment of these rebates, with a corresponding impact on annual averages.

Rebate programs known to consumers at the time of purchase will continue to be accounted for in the CPI.

Source: Statistics Canada

More information about the concepts and use of the CPI is available online in the Statistics Canada publication *Your Guide to the Consumer Price Index* (www.statcan.ca/english/freepub/62-557-XIB/free.htm).

Prepared by: BC Stats, February 2004