

Consumer Price Index ♦ August 2007

Consumer Price Index (2002=100)

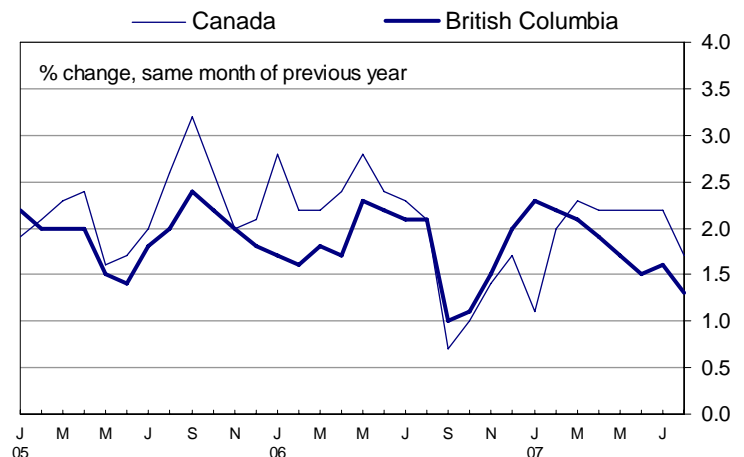
Highlights

- British Columbia's Consumer Price Index (CPI) rose 1.3% from August 2006, the lowest year-over-year increase since October 2006. Across the country, inflation ranged from 0.2% in Newfoundland & Labrador to 4.7% in Alberta. Canada's CPI rose 1.7% compared to a year ago, a drop from the 2.2% seen throughout the previous four months.
- Among the metropolitan areas, Edmonton (+5.4%) and Calgary (+4.3%) continued to post the greatest increases in consumer prices compared to a year ago. The lowest inflation was recorded in St. John's (+0.3%), followed by Quebec City (+0.5%) and Victoria (+0.6%). Vancouver's CPI rose 1.7% from August 2006.
- Higher prices for liquor (+5.0%), cigarettes (+4.8%), bakery & cereal products (+4.5%) and fish & seafood (+4.3%) were the main contributors to the rise in BC's CPI from last August. Offsetting these increases were significantly lower prices for gasoline (-8.0%), clothing (-6.6%), coffee & tea (-2.6%) and home heating fuel (-2.4%). Overall energy prices are down (-5.0%) from last August.
- BC's CPI, excluding food & energy, was 1.7% higher than in August 2006. The comparable figure for Canada was 2.2%.

Note: Statistics Canada will release the September Consumer Price Index on October 19, 2007.

2002=100	Index	% Change from	
	August 2007	July 2007	August 2006
Canada	111.7	-0.3	1.7
BC	110.4	-0.1	1.3
Vancouver	110.6	-0.1	1.7
Victoria	110.0	-0.1	0.6
Core Canada ¹	110.1	0.1	2.2

BC and Canada Inflation Trend



2002=100	Latest 12-month Average Index (ending in August 2007)	Latest 12-month Average % Change	2006 Annual Average % Change
Canada	110.6	1.7	2.0
BC	109.5	1.7	1.7
Vancouver	109.6	2.2	1.9
Victoria	109.5	1.2	1.5

¹The 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

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*, (catalogue 62-557-XIB)

(<http://www.statcan.ca/cgi-bin/downpub/freepub.cgi>)

Prepared by: BC Stats, November 2006

Excerpt from Statistics Canada's "The Daily", Tuesday, June 19, 2007

Note to readers

. . . Statistics Canada has updated the Consumer Price Index (CPI) to reflect changes in the spending patterns of Canadian households.

The update, which occurs periodically, is designed to ensure the CPI's reliability for three key purposes: a measure of inflation, a statistical series deflator, and a tool for indexing various payments and transfers.

With this updated basket, the 12-month change in the all-items index was 0.1 percentage points higher than its movement would have been based on the 2001 basket. This increase reflects the updating of weights and the introduction of new goods and services into the CPI.

The weights of various items in the basket of goods and services used to calculate the index have been updated from 2001 to 2005. In addition, the CPI base year (the period for which the value 100 is assigned to the index) has changed from 1992 to 2002.

The base period 1992=100 will continue to be available for the all-items index level. The CPI with the base period 1986=100 will be discontinued.

Users should note that the changeover to the base year 2002=100 will in no way alter rates of changes measured for previous periods, barring rounding.

The weights for the various components of the basket of goods and services are being updated on the basis of the most recent Survey of Household Spending (SHS). The update ensures that the CPI reflects any changes in the consumption patterns of Canadians.

The weights between January 2003 and mid-2007 are based on 2001 consumption patterns. The new basket is based on patterns obtained by the 2005 SHS.