

Food prices advanced 3.7 percent during the year, a much faster rate of growth than the 1.4-percent growth in 2010. Prices for food purchased from stores rose 4.2 percent, much faster than the 1.0-percent growth in the previous year, with vegetables leading the increase with 7.1-percent growth. Prices of meat and meat products advanced 5.3 percent, and prices of bakery and cereal products by 5.2 percent. The growth in prices of food purchased from restaurants grew more slowly at 2.8 percent in 2011.

Shelter costs rose 1.9 percent, accelerating slightly from 1.4-percent growth in 2010. The increase was driven by the costs of water, fuel and electricity rising 4.0 percent, which in turn were primarily explained by a 25.2-percent increase in costs of fuel oil and other fuels. The costs associated with household operations, furnishings and equipment rose 1.9 percent in 2011, primarily driven by the costs of services in this area, as the prices of household services and equipment actually declined 0.3 percent. Prices of clothing and footwear increased marginally last year (up 0.3 percent), reversing the declines of the three previous years. Prices of clothing and footwear still declined, but the costs of related accessories and services have offset that decline and resulted in overall growth.

Transportation costs drove the overall CPI increase, with prices rising 6.4 percent in this area. This was explained by the higher cost of gasoline, which rose 20.0 percent on the year. Prices for public transportation grew 5.6 percent, driven mainly by the 7.7-percent increase in inter-city transportation prices.

Prices in the health and personal care sector advanced 1.7 percent during 2011, following a 2.7-percent increase in 2010.

Increases in prices of services were the main drivers, with health care services rising 2.9 percent and personal care services 4.0 percent.

Prices in recreation, education and reading increased 1.2 percent last year, a slightly higher inflation rate than in the three previous years. Prices for goods associated with this category generally fell—video equipment by 12.0 percent, audio equipment by 5.6 percent and digital computing equipment by 11.3 percent. However, the prices of education (including tuition fees), various cultural and recreational services and fuel for recreational vehicles combined to increase overall prices for this category.

Finally, prices for alcoholic beverages and tobacco products rose 1.9 percent, similar to the average increase in the last few years. Most of the increases came from the higher prices of tobacco products (up 3.7 percent), and additionally from higher prices of beer served in licensed establishments (up 2.7 percent), while the cost of alcoholic beverages purchased from stores fell 0.5 percent.

By province, inflation was the highest in the Atlantic provinces: Nova Scotia led the country with 3.8-percent inflation, followed by New Brunswick with 3.5 percent and Newfoundland and Labrador close behind with 3.4 percent. Prices rose 3.0 percent during the year in Quebec and Manitoba and 3.1 percent in Ontario. Alberta and British Columbia each posted the lowest inflation rate in the country—2.4 percent.

The Bank of Canada's core index¹ increased 1.9 percent for 2011 as a whole after rising 1.5 percent in the previous year.

1 The Bank of Canada's core index is a special aggregate of the CPI that excludes eight of its most volatile components (fruit, vegetables, gasoline, fuel oil, natural gas, mortgage interest, inter-city transportation and tobacco products) as well as the effect of changes in indirect taxes on the remaining components. It is used by the Bank of Canada as a policy instrument to help see through the temporary volatility in prices and maintain overall inflation within the 1 to 3 percent target range.