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THE RISE (AND FALL?) OF INFLATION IN CANADA: A DETAILED ANALYSIS OF ITS POST-PANDEMIC EXPERIENCE

ABSTRACT

Canada's inflation rate rose to generational highs in 2022. We explore this rapid surge. Using new methods and detailed household consumption data, we separately identify demand- and supply-driven price increases. We find that the latter account for most of the rise in inflation-especially among energy-intensive and highly traded items. In addition, we find that items with normally transitory price changes or those that are highly sensitive to interest rates account for nearly all of the increase. Our work sheds important new light on recent inflation trends and illustrates new empirical methods that can add value to inflation-monitoring efforts in Canada.

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