Inflation in Canada: The 3 Best Dividend Stocks to Protect Your Portfolio

Description

The **S&P/TSX Composite Index** was down 13 points in early afternoon trading on May 21. North American indexes suffered sharp losses early in the week, as investors were spooked by rising inflation in the United States. Annual inflation hit 3.4% in April, according to a recent report from Statistics Canada — up 2.2% from the prior year. Last month, I'd warned investors that inflation would become an issue. Today, I want to look at three dividend stocks to snatch up in this environment.

Grocery stocks proved resilient over the past year

Rising food prices have been a thorn in the side of consumers for years. Canada's 2021 Food Price Report projected that meat and vegetable prices would increase between 4.5% and 6.5% this year. That is a significant increase that will be a burden on citizens that are already struggling in the face of a pandemic. You may want to target grocery dividend stocks right now.

Empire Company (TSX:EMP.A) is one of the top grocery retailers in Canada. It owns and operates brands like IGA, Sobeys, and Farm Boy. Shares of Empire have climbed 16% in 2021 as of early afternoon trading on May 21. The dividend stock is up 34% year over year.

In Q3 fiscal 2021, Empire saw same-store sales, excluding fuel post growth of 10.7%. Meanwhile, earnings per share rose 47% to $0.66. Empire possesses a favourable price-to-earnings ratio of 15. Moreover, it offers a modest quarterly dividend of $0.13 per share.

This dividend stock is worth picking up in the energy sector

A jump in the Consumer Price Index (CPI) has compounded with a rebounding economy to lead to higher oil and gas prices. Oil prices took a hit earlier this week, as there were fears of a COVID-19 resurgence in Asia. Fortunately, prices have rebounded to close out the week.

Suncor (TSX:SU)(NYSE:SU) remains one of the most attractive dividend stocks to add in the energy sector. Its shares have climbed 30% in 2021. Suncor stock is up 14% from the prior year.

The company unveiled its first-quarter 2021 results in early May. Funds from operations increased to $2.11 billion, or $1.39 per common share — up from $1 billion, or $0.66 per common, share in Q1 2020. Suncor benefited from strong production and a boost in oil prices. This dividend stock still offers a quarterly distribution of $0.21 per share, which represents a 3% yield.

A dividend stock chasing a crown in the 2020s

Fortis (TSX:FTS)(NYSE:FTS) is the final dividend stock I'd suggest picking up in this environment. This is one of my favourite defensive plays in a volatile market. Fortis has delivered dividend growth for 47 consecutive years. It is on track to become the TSX's first dividend king. Fortis stock has increased 5.6% in 2021. Its shares are up 9.9% year over year.

The company bolstered its capital plan in Q1 2021, which aims to support dividend-growth through 2024. Fortis stock possesses a solid P/E ratio of 20 at the time of this writing. It offers a quarterly dividend of $0.505 per share. That represents a 3.6% yield.

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