



## Bank of Canada Isn't Worried About Inflation: Here's Why Canadians Are Panicking

### Description

The law of supply and demand. It's the bedrock of economics, the "invisible hand" that puts prices where they need to be, the glue that holds every capitalist society together. And, over the last few months, it's been the plight of Canadians.

Rampant demand and short supplies have hiked prices and rates on nearly everything. And we're not talking about a Mount Logan hike either. We're talking Everest. From cars to bacon to furniture to hotel rooms, everything seems to cost substantially more.

This isn't breaking news. For the past eight months, we've seen inflation steadily rising. And through all the price hikes and short supplies, the Bank of Canada's response has been relatively the same: Don't worry, it'll get better.

Well, unfortunately, a lot of Canadians *are* worried. Many are struggling to pay their bills (according to a recent survey, one in every three Canadians is living paycheck to paycheck). Others are finding it more difficult to set aside money for retirement. Still others are finding it harder to dig themselves out of a hole of consumer debt.

What exactly is causing Canadians to panic? Here are three expenses making them worry.

### Natural gas on the rise

For many of us in Canada, it's been rain, rain, rain. *Cold* rain. And with that rain has come the feeling that summer is over, fall is upon us, and winter is just around the corner.

Yes, pretty soon, we'll all be using our heat again.

Many gas distributors have already warned customers about rising natural gas prices. FortisBC, for instance, expects B.C. customers to pay 9% to 12% more per month for heating, while Enbridge expects a price increase of \$7 to \$44 per year.

In a country that has basically two seasons (a long winter and a very short summer), rising costs in heat is very concerning. Unless we get supply under control (or better yet: renewables), we may very well be in for a long and expensive winter.

## **Gas prices are soaring**

It's official: we're in the midst of an energy crisis.

Across Canada, the average price of gasoline has hit levels we haven't seen since 2008, hovering around \$1.40 to \$1.45 per liter, with some areas seeing even higher prices.

While Thanksgiving weekend certainly plays a temporary role, the true underlying cause of the price hikes is the price of crude. With the global economy in full gear, nearly every country is demanding more oil, causing supplies to go down and prices to rise.

Unless we have a fourth (or fifth) lockdown, you should expect high gas prices at least until the end of the year.

## **A real source of panic: Food**

Gas and heat are certainly two causes of concern. But the primary preoccupation putting many Canadians in a panic is the rising costs of food.

Particularly, meat. According to Statistics Canada, the average cost of meat has soared since last year. Sirloin steaks are 12% more expensive. The price of wieners is 13% higher. And perhaps worse of all: bacon is 14% more costly. The price of meat is so high, in fact, that nearly half of Canadians have reduced how much meat they eat, or stopped buying it altogether.

But inflation isn't limited to just meat products. According to BetterCard, a data mining company that closely examines food prices, potatoes are 25.6% costly and even butter is 19.1% more expensive than last year.

## **Should you be worried?**

Many economists and analysts, not to mention the Bank of Canada, have given inflation the cold shoulder. Cut out gas prices and volatile expenses from your calculations, they say, and you'll see that inflation isn't that bad.

But when you're not analyzing inflation in such an academic manner, that is, when you're driving your car to work, filling up at the gas station, or buying food at the grocery store, you can definitely feel the effects of inflation in your wallet.

So, while I'm not one to panic, now is the time to start practicing some frugality. Go easy on the gas ([here are some tips to save](#)), turn the thermometer down a degree or two, and cut out some unnecessary food items from your grocery bill.

If you're not already doing so, I'd also recommend earning rewards on membership cards, cashback credit cards, and rewards cards. With the rates on some of Canada's best credit cards, you can easily balance out the rate of inflation with cashback rewards.

Hang in there, Canada. We'll get out of this inflationary mess together.

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