



Here's What an 18-Year High for Inflation Means for the Average Canadian

Description

The more I hear about inflation, the more I've come to believe we're living in a second pandemic — this one centered on the rather scary rise in everyday living costs.

While the Bank of Canada has shrugged it off, and many economists link it to the pandemic-induced low prices we witnessed last year, there's one thing we can all agree on: "Canada Life 2021" feels far more expensive than any preceding year.

By the looks of it, "Canada Life 2022" may be just as expensive, if not more. For the average Canadian, here's what that could mean.

1. Higher food costs

From meat to vegetables, nearly every food item in the grocery store has seen a price hike of some kind.

Potatoes, for instance, have gone up around 25.6% since last year. So has butter — 19.1% more, in fact. Sirloin steaks are 12% more expensive, wieners are 13% higher in price, and bacon is 14% more costly.

Food prices are intertwined with crude oil and natural gas. Since both of these are also seeing their fair share of price hikes (more on them below), the average Canadian will probably spend significantly more on groceries this winter.

2. More costly at the pump

Gas prices are hitting all-time highs across the country, with an average national price of \$1.45. Though, true, gas usually goes down in the winter, this year is different: according to many gas distributors, gas prices will most likely go *up*.

The reason is that crude oil is currently in short supply. Most producers, especially those in the infamous OPEC+ countries, are reluctant to return to pre-pandemic outputs, even though demand is soaring. The effect is that every country is feeling a bit tight on retail gas.

3. Heating bills

Inflation is also pushing its way into the average Canadian household through higher utility bills.

Many gas distributors are already warning customers that natural gas prices will go up this winter. FortisBC, for instance, expects B.C. customers to pay 9-12% more per month for heating, while Enbridge expects a price hike from \$7 to \$44 per year.

Similar to crude oil, natural gas is in short supply, with producers reluctant to produce more. Other sources of heat, such as propane and heating oil, will also experience a price hike, meaning those in rural areas should expect to pay more for heat this winter.

4. Discretionary spending

Finally, let's not forget about the things we actually *want* to buy — the purchases that fall under the “discretionary” category in our budgets. Things like furniture, cars, smartphones, even laptops and tablets, have all risen slightly over the last year.

Even certain online streaming services, such as **Netflix** and **Spotify**, increased their prices (5.8% year over year in August), as did internet services (3.8%). If Spotify can increase its prices (I mean, come on, you don't rob artists enough?), I'm sure other streaming services will follow suit.

What can you do about rising inflation?

There are a few things you can do. The first is obvious: adjust your budget for rising costs. If your budget still reflects 2020 expenditures, especially for heat and gas, now is the time to start budgeting out a few more dollars. If you need to find extra room, look closely at your discretionary spending, especially subscription services, and see what you can cut.

Secondly, if you can save money at this time, I'd adjust your emergency fund by 2% or 3%. That means, if you have an emergency fund of, say, \$5,000, then I'd add \$100 or \$150. You don't want inflation to silently kill the power of your emergency fund, especially with auto and home costs going up.

Finally, now might be a good time to snag a welcome bonus on a [rewards credit card](#) or [cash-back credit card](#). While, true, you don't want a credit card if it tempts you to overspend, you could boost your budget tremendously by getting a \$200 or \$300 bonus. The earn rate on certain credit cards could also help you pace with inflation, as many of [Canada's best credit cards](#) will help you earn 2-5% on certain expenses.

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