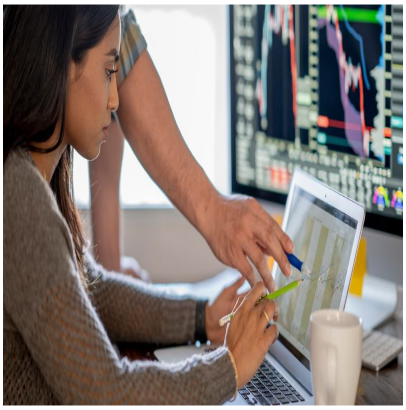


Inflation Rising Into 2022: 3 TSX Stocks to Counter Inflation

### Description

Our central bank aims to keep inflation at about 2%. In September, Canada's inflation rate jumped to 4.4%. A higher-than-normal inflation rate is expected to continue through 2022. Here are three TSX stocks that could help Canadians counter inflation.



## Inflation leads to rising food prices

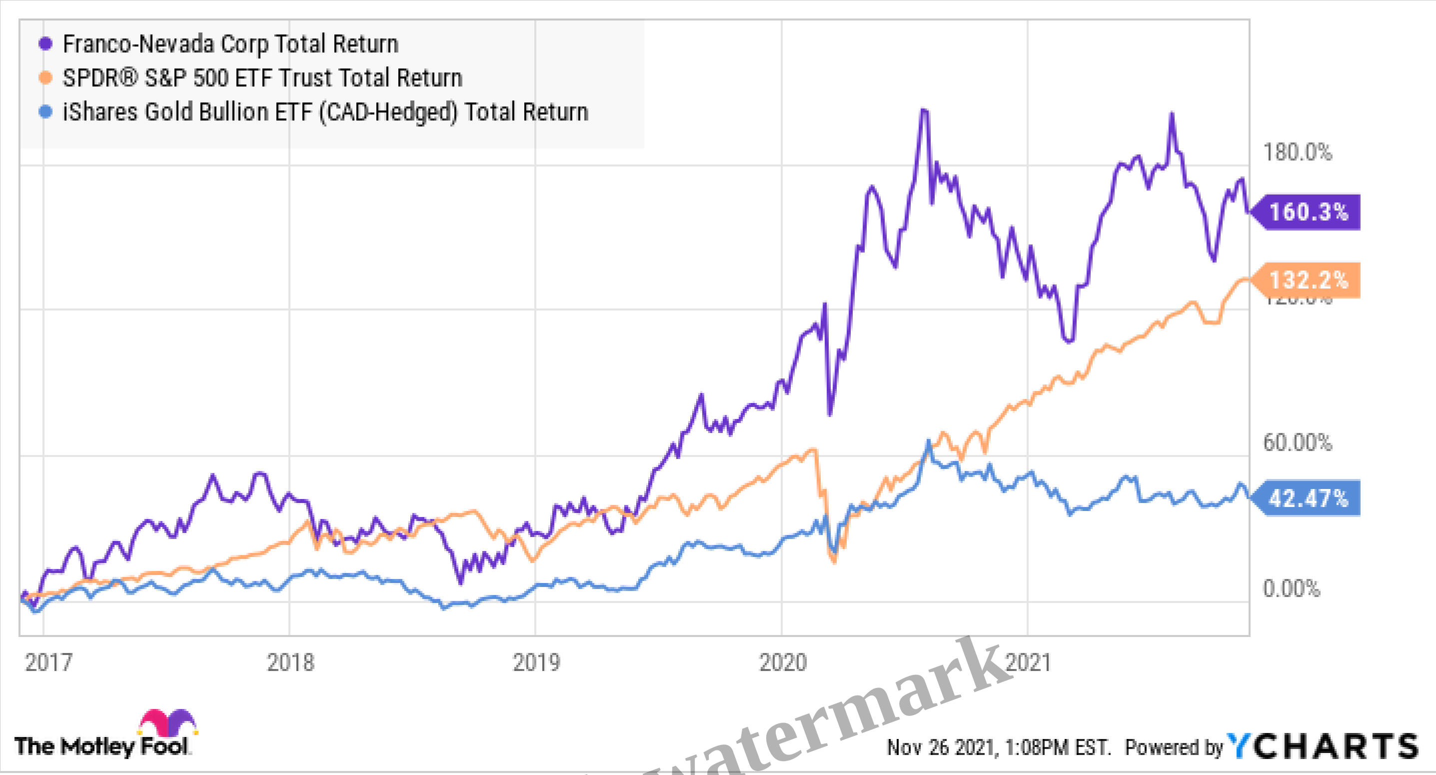
Rising food prices can drive grocery stocks like **Loblaw**, **Metro**, and **Empire** (TSX:EMP.A) higher. Empire stock appears to be the best value among its peers. It trades at the lowest valuation at about 14.2 times this year's estimated earnings. Across 10 analysts, the average 12-month price target is $45.40 per share, which represents approximately 21% near-term upside. As a bonus, the dividend stock also offers a 1.6% yield.

Empire is a consumer defensive stock with a track record of dividend increases. It is a Canadian Dividend Aristocrat with 26 consecutive years of dividend growth. Its 10-year dividend-growth rate sits comfortably at about 7%. Through the pandemic, Empire's earnings reliably rose. From fiscal 2019 to 2021, its earnings per share climbed by 73%.

## Gold stocks also counter well against inflation

Gold has been traditionally viewed as a safe-haven asset and a hedge against inflation. Choosing quality gold stocks can allow you to do better than holding gold. Gold doesn't produce income, but **Franco-Nevada** (TSX:FNV)(NYSE:FNV) does. The primarily gold royalty and streaming company is a Canadian Dividend Aristocrat. Specifically, it has increased its dividend for 13 consecutive years. Its 10-year dividend-growth rate of roughly 13% is nothing to sneeze at, but its more recent dividend increases have been about 4%, which is double the normal rate of inflation.

Franco-Nevada pays an upfront deposit for the right to purchase all or a portion of one or more metals produced from a mine at a preset price. So, it doesn't run, explore, or develop mines and enjoys a low-cost business model with exploration upside. As a result, it has outperformed the market benchmarks in the long run, as shown in the five-year graph below.




FNV Total Return Level data by YCharts



Across 15 analysts, the mean 12-month price target is US$161 per share, which represents approximately 17% near-term upside. As a bonus, the dividend stock also provides a yield of 0.9%.

## Utility stocks are great for beating inflation

Utility stocks tend to provide a juicy yield that already beats the normal inflation rate of about 2%. They can also appropriately raise the utility bills when inflation rises. Let's take a closer look at **Brookfield Infrastructure Partners** (TSX:BIP.UN)(NYSE:BIP). Right off the bat, the dividend stock provides a safe 3.6% yield.

Brookfield Infrastructure has raised its payout for 13 consecutive years and earned its place on the Canadian Dividend Aristocrat list. Its 10-year dividend-growth rate is about 11%. Its more recent dividend-growth rate has been roughly 7%, which is still solid growth. The utility stock is set to increase its payout by 5-9% in the new year soon. Consequently, the income generated from the dividend stock is expected to beat inflation.

The global infrastructure company enjoys sustainable cash flow from low maintenance capital, largely regulated or contracted cash flow, and roughly 70% of cash flow indexed to inflation. 12 analysts have a mean 12-month price target that suggests 15% near-term upside potential. So, the quality stock trades at a slight discount to its fair value.

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2. NYSE:FNV (Franco-Nevada)
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