



Inflation Will Make These Expenses More Costly in 2022: Here's What You Can Do About it

Description

Over the last year, the word *inflation* has almost become as endemic as the coronavirus itself.

For nearly every month in 2021, inflation hovered above the Bank of Canada's 1-3% targeted rate. Everything from meat to cheese to gas was significantly more expensive, making it difficult to budget everyday costs.

With supply chains still hiccupping, 2022 might be much worse. What exactly will be more expensive this year?

Food

According to [Canada's Food Price Report 2022](#), food prices could increase another 5-7% in 2022 — the highest predicted increase in food since the report started 12 years ago.

The highest increases will go to dairy and restaurants (6-8%) and bakery and vegetables (5-7%). Meat, which has already seen the highest price hikes of all food items, might also go up by another 2%.

To be fair, vegetables saw a price *decrease* in 2021, so it doesn't surprise me that they could go back up in 2022. But the continued inflation of meat and dairy concern me. With prices as high as they are now, I can only imagine how much less affordable beef stew will become.

Houses

This one is a no-brainer: with supplies still short, and demand high, house prices will continue to climb in 2022.

But there is some good news, at least from the Canadian Real Estate Association (CREA). Though prices will likely go up, they won't climb as quickly as they did in 2021. Last year, the average selling

prices was up 19.6% year over year in December. CREA predicts the average price will increase 5.6% to \$718,000 in 2022.

Re/Max, however, goes a little further. They project the average house price could increase by 9.2%, with some real estate hot spots seeing larger price growth.

Putting aside differences in projected price growth, it's clear home prices probably won't go down. So, if you're looking to buy a home in 2022, expect to pay more than what you might have paid in 2021.

Rent

Even if you're not buying a home, your living costs could go up in the form of higher rent.

According to Rentals.ca, the average rent for numerous cities — including Vancouver, Toronto, Mississauga, Montreal, and Calgary — could go up significantly.

Vancouver could see average rent go up 6% to \$2,635 per month. Toronto isn't far behind, with an 11% increase to \$2,495. Mississauga is projected to increase rent by 7% to \$2,265 per month, while Montreal and Calgary will go up 5% and 3%, respectively, to \$1,780 and \$1,470 per month.

Gas

With OPEC sticking to its plan — to increase production by 400,000 barrels (a day) per month, every month, until the end of 2022 — gas prices will likely fluctuate throughout the year.

But for Canada, the biggest factors leading to higher gas prices are changes in legislation. If the federal carbon tax goes into effect in April, then we could see gas jump by a few cents. That combined with the short supply of crude oil could make gas less affordable, especially for those who drive frequently.

What can you do about rising costs?

The first is what we could call “*lifestyle deflation*.” As costs rise, now is a good time to look closely at your budget and cut excessive spending. By excessive I don't just mean entertainment or subscriptions. I mean look closely at the “variable costs” — that is, costs within your control (not mortgage or rent) — and look for ways to trim.

Food is a good example. If meat prices continue to rise, now might be the time to adopt a vegetarian diet, reserving meat for special occasions. It doesn't have to be forever. It just has to be long enough to help you spend less.

Secondly, I'd adjust your emergency fund by 2% or 3% (if you can save money). That means if you have an emergency fund of \$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, don't overlook [rewards credit card](#) or [cash-back credit card](#). To be fair, credit cards can hurt you if you overspend. But when you pay off what you charge on rewards cards, you can earn cash

back, which might help you keep pace with inflation. Take a look at [Canada's best credit cards](#) to see if one is right for you.

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