



Canada's Inflation Rate Hits 30-Year High: Here's How it Affects You

Description

Last month, Canada's official inflation rate hit a whopping 5.1% — a level only seen back in 1991. Increases in the price of food, energy, and shelter have eroded the purchasing power of Canadian consumers, especially given that the average wage increase is around 4%.

Essentially, your money is worth less ... a lot less. What may have sufficed for a grocery shopping trip, renting a place, or filling up your gas tank in 2020 is no longer the case. Until the Bank of Canada raises the policy interest rate sufficiently to cool inflation, Canadians will have to rely on these options for mitigating the damage to their wallets.

Dealing with high gas prices

Gone are the days of \$1.50 a litre. Today, prices of \$1.70, \$1.80, or even \$1.90 per litre in metropolitan areas for the cheapest 87 octane have been spotted. In January alone, gasoline prices increased by 4.8% and were 31% more expensive compared to the year prior.

The situation has been hampered by high commodity prices, exacerbated by the recent geopolitical crisis with Russia and Ukraine. These costs not only affect average drivers but businesses too, which pass on the cost of pricier gas to their customers by raising prices. Even public transportation is being impacted.

Your best bet here is to find a rewards system to link to a credit card. When filling at participating stations, you can receive a small discount on your gas, and collect points to redeem for small rewards. Although not significant in itself, the savings can add up over time.

Dealing with higher grocery bills

Food costs soared in January, with prices up 6.5% in the year leading up to January. Prices for products like meat and dairy have been hit hard in particular. Families have seen an average increase of anywhere from 10% to 25% on their grocery bills depending on where they live.

There are still ways to make the best of a bad situation here. Firstly, you can try and shop around for the best discounts. Many stores will still have promotions on for certain items. If you're shopping for a family, buying in bulk can help offset the cost, especially at larger stores.

If you have a garden or land, consider planting your own fruits and vegetables. Not only can it be a rewarding hobby, but it can also lead to substantial savings on your grocery bill in the future. If the situation is truly difficult, consider using a food bank service to get some staples.

The Foolish takeaway

My best piece of advice for dealing with inflation is to change jobs. The "Great Resignation" has provided Canadians with a unique opportunity to negotiate better pay and benefits with employers desperate to hire. While staying at your job might net you an annual raise of 2-4%, jumping ship for another can easily net you upwards of 20%, especially if you're in a skilled, in-demand occupation.

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