

Societal health impacts of rising inflation and interest rates

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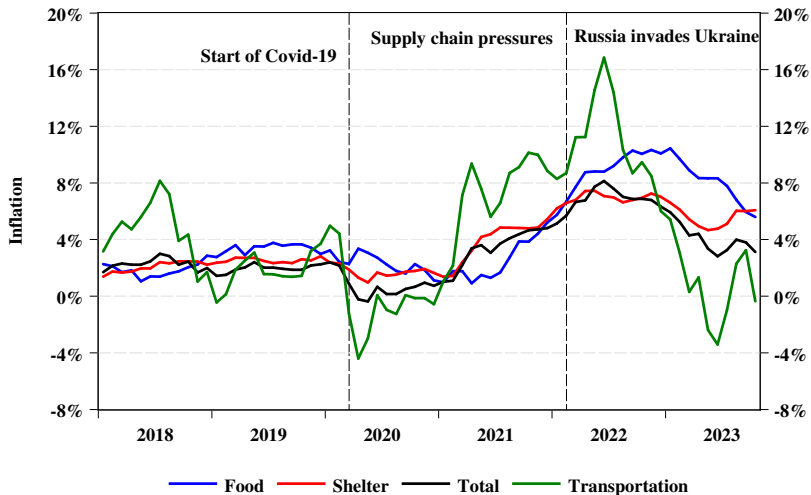




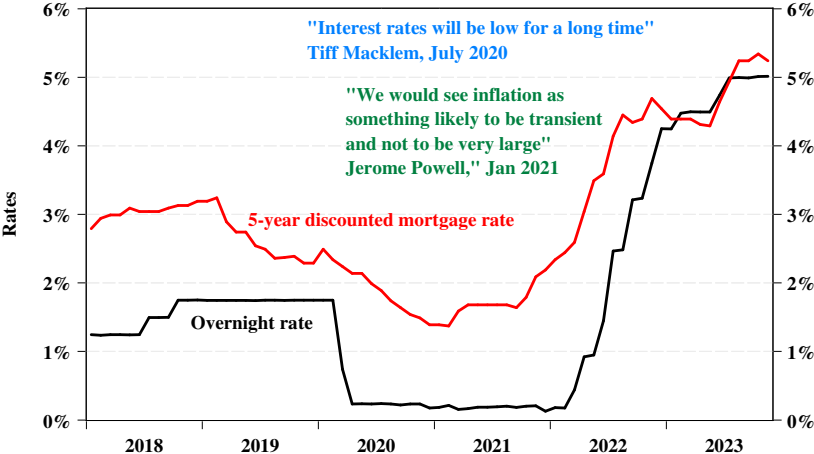
What is inflation?

- Inflation is an increase in the general price level of goods and services in an economy over a period of time
- Statistics Canada gauges inflation through a fixed basket of goods, tracking and comparing the prices of items within the basket to those of the previous year
- Consumer price index consists of 8 major components with shelter and food as the biggest ones [▶ Basket weights](#)

What is driving inflation?



Historical rise in interest rates



Does anyone actually understand inflation?



Has the credibility of central banks suffered?

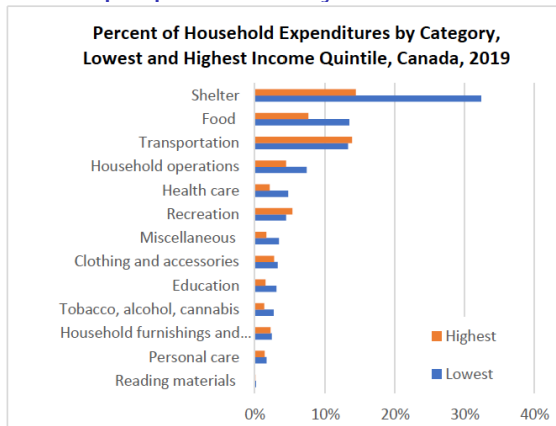
- Central banks are supposed to inspire confidence in the economy by keeping inflation low and stable
- High and persistent inflation has diminished the level of trust in the ability of central banks to keep prices under control
- Baker and Lam (2023) demonstrate a significant decline in credibility after positive inflation surprises, while negative credibility shocks increase inflation expectations
- Harder to fight inflation if expectations are not anchored

Do the poor face higher inflation?



U.S. studies has found a 0.6 point gap in annual inflation rates between the poorest and richest after accounting for differences in the prices that people truly faced for the same types of goods

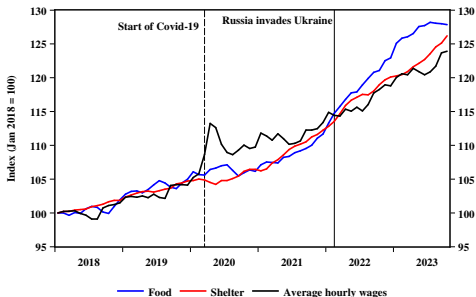
Inflation affect disproportionately low income families



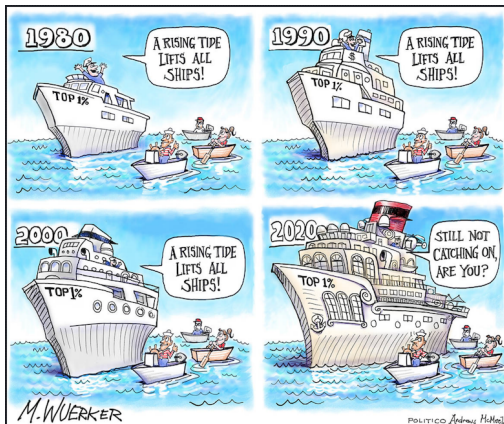
High and persistent inflation can strain the standard of living for low-income Canadians, leading to more significant cutbacks, including essentials like healthy food and shelter

2022 Portrait of Canadian Society Survey by StatsCan

- 1 63% of Canadians in the lowest income quintile are very concerned about everyday expenses, 3 times more than the highest quintile
- 2 19% of those in the lowest income quintile often borrowed money for daily expenses.
- 3 Among other things, wages are not keeping up with food and shelter inflation

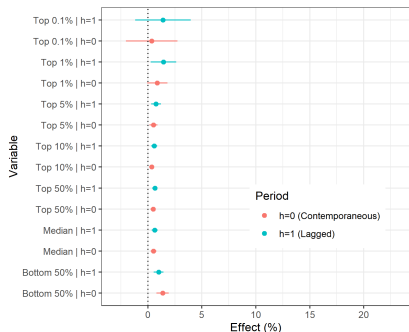


Can monetary policy lift all boats?

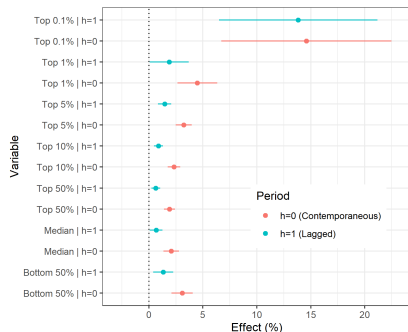


"We're going to be there, creating the conditions for all boats to rise, through the full length of this recovery.", Tiff Macklem, Governor of the Bank of Canada, September 2020.

Not all boats are lifted the same way

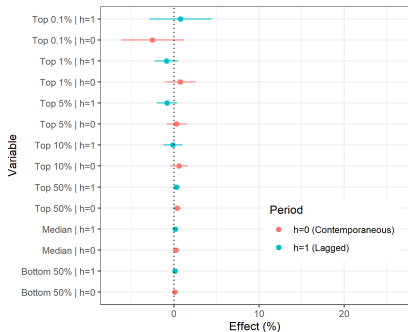


(a) Wage income, 1996-2007

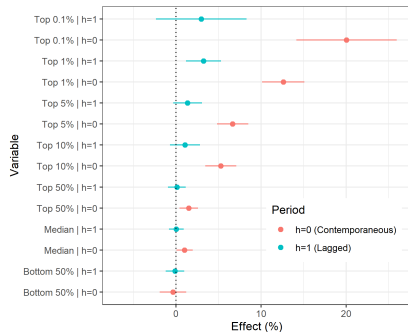


(b) Wage income, 2007-2019

Massive distributional effects



(c) Non-wage income, 1996-2007

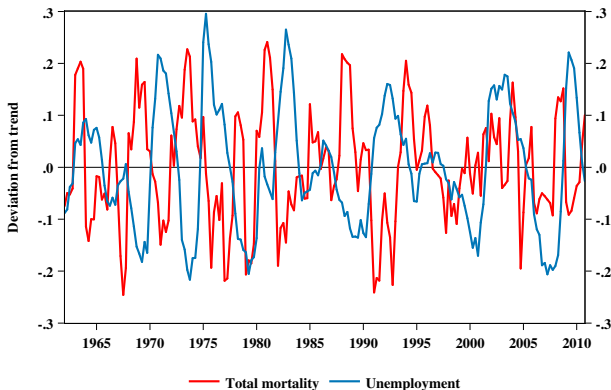


(d) Non-wage income, 2007-2019

Mortality and the state of the economy



Total mortality is procyclical



Total mortality, cardiovascular, motor-vehicle and pollution related deaths go up when the economy does well
But this relationship has been weakening over time

Thank You
For Your Attention