

Provincial Convergence of Consumer Prices in Canada

Tarek Harchaoui and Faouzi Tarkhani

Prices Division
Statistics Canada

May 2008

Abstract: This paper investigates the dynamics of consumer prices indices for Canadian provinces using panel econometric methods. The results suggest that over the 1980-2007 period, the persistence of deviations in response to shocks, measured by the estimated adjusted half-life, is low, at about three quarters for the CPI All-items. There is, however, a great deal of variation across commodities classes and time periods. While the estimated rate of convergence in Canada is comparatively faster than the rates for similar studies reported for other countries, it is also a relatively faster during the post-inflation targeting period than earlier and much more rapid for goods than for services.