

Calgary's Monthly INFLATION REVIEW

December 2009



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CPI Continuing an Increasing Trend in December 2009

Gasoline prices exerting upward pressure on CPI

Canada's headline CPI continued to climb in December 2009, compared to December 2008. Consumer price indexes increased by 1.3 per cent in Canada, 0.6 per cent in Alberta, and 0.2 per cent in Calgary compared to a year ago. The main reason for the rise is the increase in gasoline prices, which are now exerting upward pressure on the CPI after an extended period in which they were the main contributors to year-over-year deflation in 2009. The annual inflation rate for Calgary was -0.1 per cent in 2009, down from 3.2 per cent in 2008.

CPI heading back to BoC target inflation rate

With the end of the economic recession, inflation is back on the radar screen. Within the eight CPI categories in Canada, six registered price increases, including food; transportation; household operations, furnishings and equipment; health and personal care; recreation, education and reading; alcoholic beverages and tobacco products. The only two exceptions were shelter and clothing and footwear. The upward price pressures are driving the CPI both in Canada and in Calgary to head from deflation back to the Bank of Canada (BoC) target level at 2%. However, it is expected that this ascent will be

limited by excess capacity prevailing in the Canadian economy and a strong Canadian dollar, which will keep the year-over-year core inflation rate below or close to the BoC target.

Major contributors to Calgary's 12-month moving average inflation

Shelter: The 2.5 per cent decrease in shelter costs in December offset 0.7 per cent of Calgary's overall inflation. The decline in shelter costs was primarily caused by the continuing price decreases in natural gas (-30.3%) and mortgage interest costs, which was somewhat offset by the increasing homeowners' maintenance and repairs costs.

Food: Food prices increase by 4.8 per cent in December, following a 5.4 per cent increase in November. The total contribution of food prices to Calgary's overall inflation in December was 0.7 per cent.

Transportation: Transportation prices decreased by 4.9 per cent in December 2009, which offset by 1.0 per cent the overall inflation rate in Calgary. The downward pressure was majorly caused by gasoline price which dropped by 19.9 per cent at the 12-month moving average level.

Next release: February 18, 2010

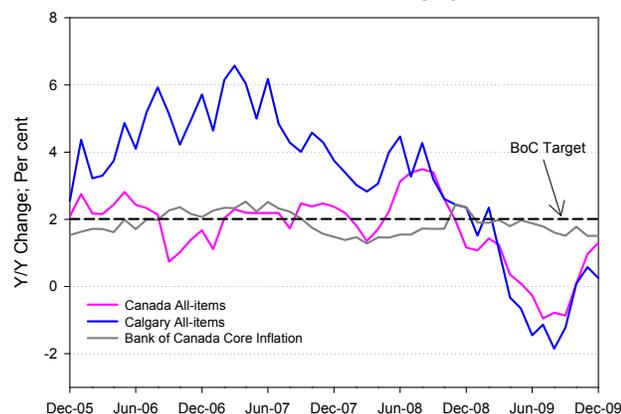
Inflation Rates
(12-Month-Moving-Average or average inflation rate for the past 12 months)

	Relative Importance (%)*	Dec-09	Nov-09	Dec-08
Calgary: All-items	100	(0.1)	0.1	3.2
Calgary: All-items excluding food and energy	75.2	0.8	(3.9)	2.1
Food	15.5	4.8	5.4	3.2
Shelter	27.7	(2.5)	(1.7)	7.7
Owned accommodation	17.9	0.5	1.0	6.8
Water, fuel and electricity	5.6	(18.5)	(16.2)	13.5
Household operations, furnishing and equipment	11.4	2.8	2.7	0.5
Clothing and footwear	5.2	0.4	0.1	(2.6)
Transportation	19.5	(4.9)	(5.5)	1.7
Gasoline	4.5	(19.9)	(22.6)	12.7
Health and personal care	4.5	4.5	4.1	2.1
Recreation, education and reading	12.9	1.0	0.8	0.3
Alcoholic beverages and tobacco products	3.3	3.7	3.6	3.2
Alberta: All-items	100	(0.1)	0.0	3.2
Alberta: All-items excluding food and energy	75.2	1.4	1.5	2.1
Canada: All-items	100	0.3	0.3	2.4
Canada: All-items excluding food and energy	73.6	1.8	1.2	1.2

Source: Statistics Canada, Corporate Economics, January 2010

* 2005 CPI basket weights at April 2007 prices, Alberta and Canada, effective May 2007

CPI in Canada and Calgary



Source: Statistics Canada, Corporate Economics, January 2010.

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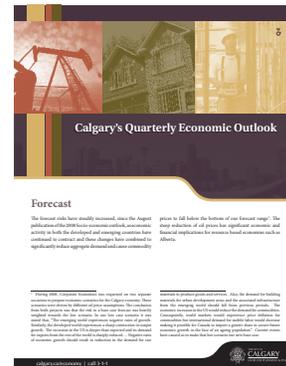
INFLATION REVIEW

Calgary Census Metropolitan Area (CMA)

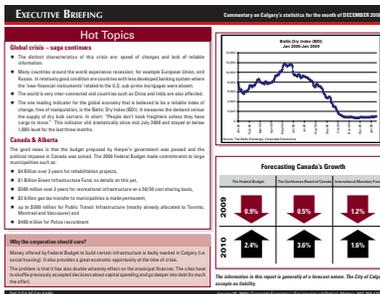
Monthly
Energy Market Update



Quarterly
Calgary's Quarterly Economic Outlook



Commentary
Executive Briefing



Annually
Calgary and Region Economic Outlook



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Over the past ten years Corporate Economics has researched dozens of economic topics and developed reliable methods of forecasting and analysis. Monitoring economic trends allows us to develop unique insights on how external events are impacting the local economy and the Municipal Corporation. We provide services in four areas: forecasting, information provision, consulting and policy analysis.

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Many of our publications are available on the internet at www.calgary.ca/economy.

Corporate Research Analyst: Estella Chan Source: Statistics Canada
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