

Inflation Review

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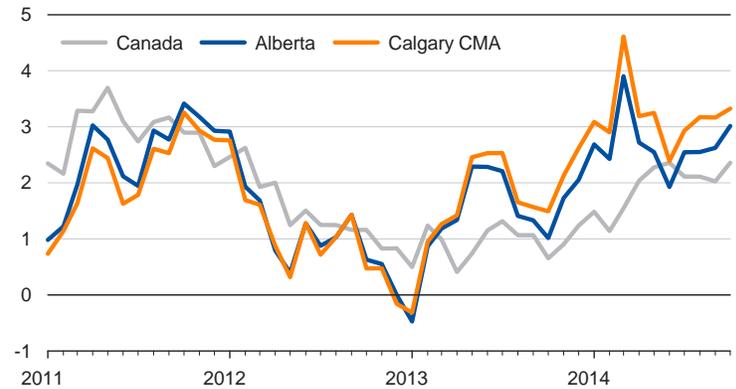
November 21, 2014

Calgary's inflation rate increased in October

In October Calgary's inflation rate picked up to 3.3 per cent year-over-year as natural gas prices soared 31.1 per cent. This helped to push shelter costs up 5.8 per cent. Meanwhile, rented accommodation costs advanced 3.5 per cent from October 2013, while the price of owned accommodation was up 4.6 per cent. Curiously, gasoline prices jumped 4.5 per cent year-over-year in spite of the precipitous drop in crude oil prices. However, they shrank 1.7 per cent month-over-month. Going forward it's very likely that prices at the pump will fall further as the effects of lower oil prices are passed on to consumers. Food prices were also up from October 2013, by 3.6 per cent, though they edged down 0.4 per cent from the month before. The primary driver of food inflation continues to be meat prices, which climbed 16.0 per cent year-over-year. Overall for Calgary the inflation rate excluding food and energy picked up to 2.7 per cent in the month.

Annual inflation in the province of Alberta as a whole also accelerated in October, coming in at 3.0 per cent after rising 2.6 per cent in September. Like Calgary, Alberta's rate of inflation was given a big boost by natural gas prices, which contributed heavily to the 5.0 per cent year-over-year advance in shelter costs. There was also a 3.3 per cent rise in food prices. Excluding these two categories, Alberta's inflation rate decelerated from 2.7 per cent in September to 2.4 per cent. At the national level, Canada's all-items inflation rate climbed to 2.4 per cent. The Bank of Canada's measure of core inflation rose 0.2 percentage point to 2.3 per cent

Chart 1. Headline inflation comparison
(Year-over-year change, January 2011-October 2014, per cent)



Sources: Statistics Canada, Corporate Economics, November 2014

in October, overshooting the central bank's target 2.0 per cent for the third consecutive month. Even so, the tenuous global economy and plunging oil prices will likely motivate the Bank to refrain from raising interest rates until well into 2015.

On a year-to-date basis Calgary's inflation rate continues to run at 3.2 per cent. While this is fairly high relative to the rest of the country, we expect it to come down fairly significantly in 2015 as natural gas prices normalize.

Next release: Dec. 19, 2014

Inflation Rates

	Relative Importance (%) [*]	Year-over-year			Year-to-date		
		Oct-14 (%)	Sep-14 (%)	Oct-13 (%)	Oct-14 (%)	Sep-14 (%)	Oct-13 (%)
Calgary: All-items	100.00	3.3	3.2	1.5	3.2	3.2	1.6
Calgary: All-items excluding food and energy	76.49	2.7	3.3	2.1	2.9	3.0	1.6
Food	15.99	3.6	3.2	2.4	3.2	3.1	2.3
Shelter	26.56	5.8	5.3	3.7	5.9	5.9	2.9
Rented accommodation	5.40	3.5	3.4	3.6	3.3	3.3	3.3
Owned accommodation	16.24	4.6	5.9	3.8	5.7	5.8	2.4
Water, fuel and electricity	4.84	14.1	5.8	3.4	10.5	10.1	4.7
Household operations, furnishing and equipment	12.27	3.4	3.7	2.0	2.7	2.7	2.0
Clothing and footwear	5.88	0.1	1.3	(0.5)	1.1	1.2	0.4
Transportation	20.44	2.8	2.6	0.5	3.2	3.2	0.5
Gasoline	3.81	4.5	2.9	(5.6)	4.2	4.2	(0.5)
Health and personal care	4.65	0.8	1.6	(0.8)	1.2	1.2	(0.2)
Recreation, education and reading	11.37	2.4	3.1	0.6	2.4	2.5	0.7
Alcoholic beverages and tobacco products	2.83	3.5	3.7	1.9	3.6	3.6	1.4
Alberta: All-items	100.00	3.0	2.6	1.0	2.7	2.7	1.3
Alberta: All-items excluding food and energy	76.49	2.4	2.7	1.6	2.4	2.4	1.4
Canada: All-items	100.00	2.4	2.0	0.7	1.9	1.9	0.9
Canada: All-items excluding food and energy	74.85	2.0	1.9	0.9	1.5	1.5	0.9

Sources: Statistics Canada, Corporate Economics, November 2014

^{*} 2011 CPI basket weights at January 2013 prices, date modified March 27, 2013

Figures in red and parentheses indicate negative.

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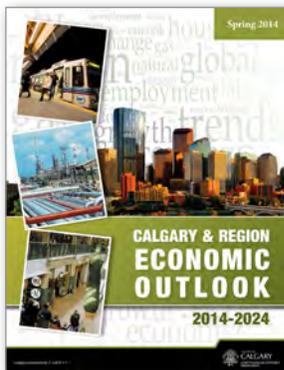
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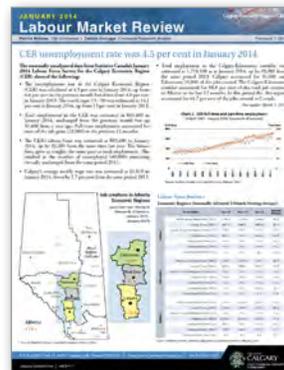
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Sources: Statistics Canada, Corporate Economics.