Inflation Review

August 2019

Chukwudi Osuji, Senior Corporate Economist | Estella Scruggs, Corporate Research Analyst

AUGUST 2019

Calgary and Local Conditions Contributing to Inflation

In August 2019, the Consumer Price Index (CPI) increased by 1.64 per cent from August 2018, down from 1.81 per cent a month ago. Increases to the cost of living for the average Calgarian is decelerating.

For the initial eight months of the year, inflation pressure was lower in 2019 than it was in 2018. Specifically, the CPI was higher by 0.92 per cent this year. Last year, it took just five months to achieve the same pace of inflation. The CPI increased by 1.64 per cent for the initial eight months of 2018.

The major contributor to the August 2019 annual inflation rate was the cost of food and shelter. It added 1.05 percentage points to the annual inflation rate. The contribution of food and shelter costs to annual inflation is higher this year. At the same time last year, it contributed 0.69 percentage points to the annual inflation rate and was a secondary source of inflation pressure.

The second significant contributor to inflation was transportation. It added 0.39 percentage points to the August 2019 annual inflation rate. The contribution of transportation costs to the August 2018 annual inflation rate was 1.18 percentage points. Last year, higher oil prices relative to 2017 led to transportation cost leading the way as the primary source of inflation pressure. This year, the elimination of the carbon tax has reduced inflation pressure from transportation costs.

Excluding the contribution of transportation, food and shelter costs, the annual average CPI was higher by 0.20 per cent in August 2019 compared to 0.39 per cent in August 2018.

External Inflation Conditions and Contributing Factors

For August 2019, the Alberta and Canada-wide annual inflation rates were 1.92 and 1.96 per cent, respectively. The August 2019 annual inflation rate for Calgary was lower than in Canada and Alberta.

Globally, there are opposing inflationary forces at work. Downward pressure on inflation is due to subdued demand for goods and services in 2019. Upward inflationary pressure is attributable to the imposition of trade tariffs, crude oil production disruptions, and the impact of changing environmental patterns on the availability of commodities.

For Calgary, forces imposing downward pressure on inflation hold sway.

continued on next page
Calgary Census Metropolitan Area Share of Goods and Services of a Typical Urban Dweller Consumption Basket, 2017 Weights, August 2019

Contribution of Consumer Items to Inflation: 1.64%

Sources: Statistics Canada, Corporate Economics, September 18, 2019

Glossary:

**Headline Inflation**: This is the inflation rate measured using all components of the consumer basket of goods and services.

**Core Inflation**: This is the inflation rate after excluding food and transportation from the consumer basket of goods and services.

**Overnight Rate**: The interest rate the Bank of Canada charges commercial banks to borrow money.

Who We Are

Corporate Economics provides services in four areas: forecasting, information provision, policy analysis and consulting. We also monitor the current economic trends which allows us to develop unique insights on how external events are impacting the local economy and the Municipal government. We are experienced at researching different economic topics and have developed reliable methods of forecasting and analysis.

For media inquiry, please contact:
The Media Line at 403.828.2954 or media.relations@calgary.ca

For the technical questions, please contact:
Oyin Shyllon  
City Economist & Regulatory Lead  
403.268.1590  
oshyllon@calgary.ca

Chukwudi Osuji, Ph.D.  
Senior Corporate Economist  
403.268.3752  
chukwudi.osuji@calgary.ca

Estella Scruggs  
Corporate Research Analyst  
403.268.5556  
estella.scruggs@calgary.ca

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

The City of Calgary provides this information in good faith. However, the aforementioned organization makes no representation, warranty or condition, statutory express or implied, takes no responsibility for any errors and omissions which may contained herein and accepts no liability for any loss arising from any use or reliance on this report.