

Calgary's Monthly INFLATION REVIEW

January 2009

February 20, 2009

Inflation eased due to excess supply in a weak economy

Excess supply contributed to moderate inflation rates

Inflation rates in the past twelve months averaged 2.3 per cent in Canada, 3.0 per cent in Alberta and 3.1 per cent in Calgary. The moderation in inflation rates across Canada was induced by slower economic growth that created spare production capacities. Weakening demand, caused by heightened uncertainty and a collapse of consumer confidence, reduced inflation expectations. Compared to the Eastern Canada, economic activities in Alberta and Calgary were still close to their capacities.

Falling energy prices reduced the cost of living and production

Starting from July 2008, the free fall of crude oil prices (represented by WTI prices) has provided much needed relief in both the cost of living and the cost of production for Canadian consumers and businesses. The direct benefits to consumers were from lower gasoline and heating prices. The indirect benefits to consumers might come from producers who enjoyed lower costs of petroleum products. The indirect benefits were similar to a cut in consumption taxes.

Main components contributing to inflation in Calgary

Shelter: Inflation from owned accommodation has trended down to 6.3 per cent from the peak of 21.6 per cent in April

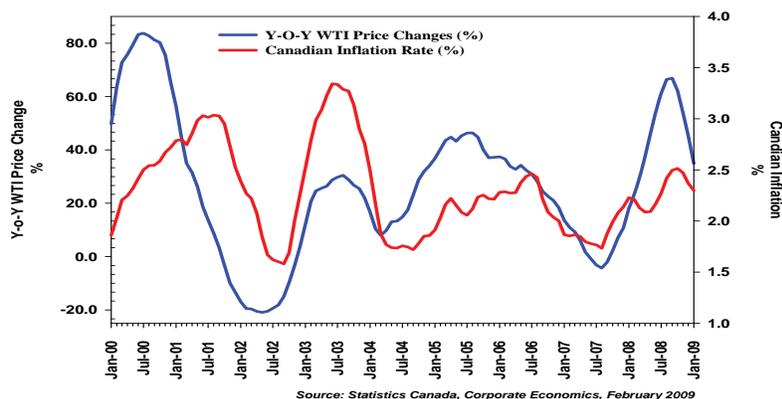
2007. But it still contributed the most to Calgary's overall inflation rate.

Transportation: Inflation in the operation of passenger vehicles declined since late 2008 due to slower gasoline price increases. Overall transportation inflation declined further to 0.9 per cent as a result of continued deflation in the price of passenger vehicles.

Food: Overall inflation in food increased to 3.2 per cent from 2.5 per cent last month, mainly contributed by rise in prices for bakery and cereal products and higher prices for fresh vegetables.

Next release: March 19, 2009

Canadian Inflation Rate vs. WTI Price Change
12-Month-Moving Average



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

	Relative Importance (%)*	Jan-09	Dec-08	Jan-08
Calgary: All-items	100.0	3.1	3.2	4.9
Calgary: All-items excluding food & energy	75.2	2.0	2.1	4.8
Food	15.5	3.9	3.2	3.1
Shelter	27.7	7.3	7.7	11.4
Household operations, furnishing & equipment	11.4	0.6	0.5	1.3
Clothing & footwear	5.2	(2.5)	(2.7)	0.8
Transportation	19.5	0.9	1.7	2.4
Gasoline	4.5	9.1	12.9	8.6
Health & personal care	4.5	2.2	2.1	1.9
Recreation, education & reading	12.9	0.2	0.3	1.5
Alcoholic beverages & tobacco products	3.3	3.1	3.3	6.4
Alberta: All-items	100.0	3.0	3.2	4.9
Alberta: All-items excluding food & energy	75.2	1.9	2.1	4.8
Canada: All-items	100.0	2.3	2.4	2.2
Canada: All-items excluding food & energy	73.6	1.2	1.2	1.9

Source: Statistics Canada, Corporate Economics, February 2009

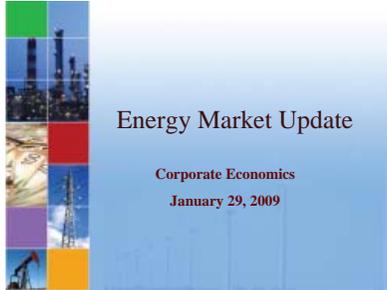
* 2005 CPI basket weights at April 2007 prices, Alberta and Canada, effective May 2007

January 2009

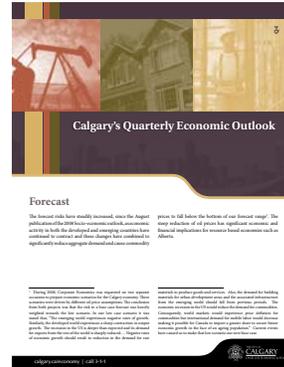
INFLATION REVIEW

Calgary Census Metropolitan Area (CMA)

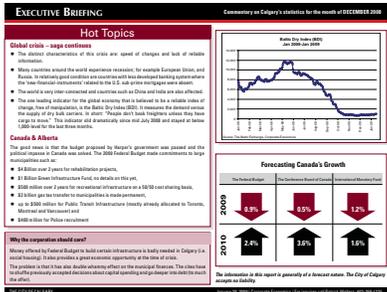
Monthly
Energy Market Update



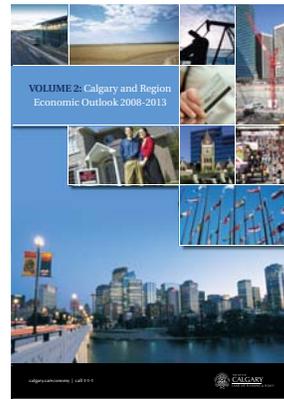
Quarterly
Calgary's Quarterly Economic Outlook



Commentary
Executive Briefing



Annually
Calgary and Region Economic Outlook



Who We Are

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.

DMD: Jeff Brown Source: Statistics Canada

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