

Calgary's Monthly INFLATION REVIEW

July 2009

August 19, 2009

Calgary Lack of Upward Price Pressure in July

Canada CPI down 0.9% year-over-year in July

Canada's CPI was in line with market expectations in July by dropping 0.3% from the previous month, and continued its downward trajectory by 0.9% from the past year. This weakness largely reflects energy and housing prices. For example, energy prices fell 28.3% over the past twelve months. Alberta and Calgary experienced negative inflation rates for the fourth consecutive month in July, at -1.5% and -1.1% respectively.

Calgary's inflation rates and MLS residential average prices

Housing prices are highly correlated with the consumer inflation rate in Calgary. In the chart below, we can see this relationship: the change in the CPI and the percentage changes in Calgary MLS residential average prices for the past 4 years. The two plots have similar shapes, with the CPI lagging for about 12 months. The changes in housing prices are a reflection of the change in home ownership costs, which includes house replacements, house insurance, mortgage interest costs, and maintenance services. These home ownership costs have an important impact on the CPI.

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

Shelter: Inflation was 1.69% in shelter in July 2009, which was partly caused by the inflation of 2.97% in owned accommodation while offset by the decrease in the prices of water, fuel and electricity of 5.22%. The contribution of shelter was 0.47% to the change of CPI in Calgary.

Food: While food prices remained strong, the increase has been slowing down since March 2009. The July inflation of 8.09% in food contributed 1.25% to Calgary's overall inflation.

Transportation: The most significant downward contributor was transportation in July, with a drop of 4.41%. This includes lower prices for gasoline, as well as purchasing passenger vehicles. The 17.26% deflation in gasoline led to a 0.78% decrease, and 4.41% deflation in transportation contributed another 0.86% of the overall deflation in Calgary.

Next release: September 17, 2009

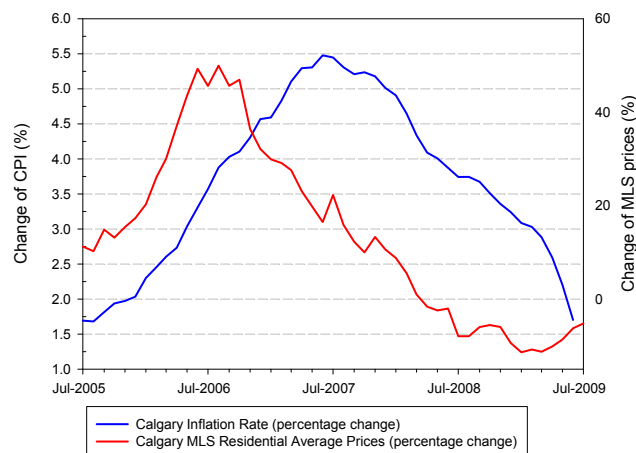
Inflation Rates
(12-Month-Moving-Average or average inflation rate for the past 12 months)

	Relative Importance (%)*	Jul-09	Jun-09	Jul-08
Calgary: All-items	100	1.33	1.70	3.74
Calgary: All-items excluding food and energy	75.2	1.88	1.74	3.15
Food	15.5	8.09	7.20	1.19
Shelter	27.7	1.69	2.61	8.72
Owned accommodation	17.9	2.97	3.47	8.43
Water, fuel and electricity	5.6	(5.22)	(1.97)	11.40
Household operations, furnishing and equipment	11.4	2.46	1.95	0.75
Clothing and footwear	5.2	(1.17)	(0.97)	(1.84)
Transportation	19.5	(4.41)	(2.90)	2.55
Gasoline	4.5	(17.26)	(10.55)	14.81
Health and personal care	4.5	3.45	3.07	1.98
Recreation, education and reading	12.9	0.14	0.01	1.53
Alcoholic beverages and tobacco products	3.3	3.78	3.07	4.92
Alberta: All-items	100	1.07	1.49	4.00
Alberta: All-items excluding food and energy	75.2	1.51	1.52	3.36
Canada: All-items	100	1.28	1.65	2.27
Canada: All-items excluding food and energy	73.6	1.22	1.24	1.50

Source: Statistics Canada, Corporate Economics, Aug. 2009

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

Calgary Inflation Rate and Average Residential Prices



Source: Statistics Canada & Corporate Economics, Aug. 2009.

July 2009

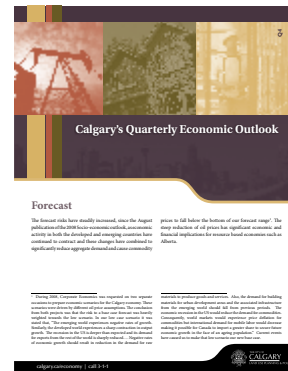
INFLATION REVIEW

Calgary Census Metropolitan Area (CMA)

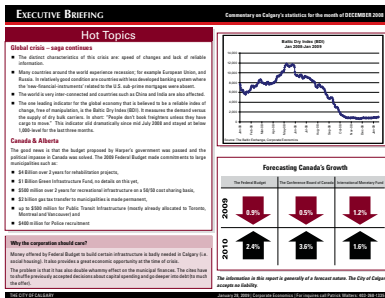
Monthly
Energy Market Update



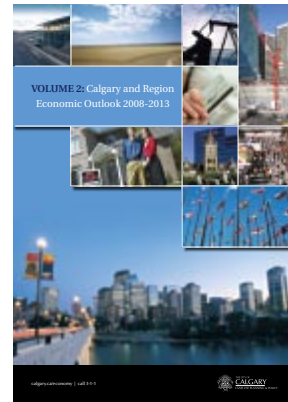
Quarterly
Calgary's Quarterly Economic Outlook



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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