

Calgary's Inflation Dipped Lower in August 2010

Core inflation continued to soften in August

Canadian headline CPI trended up by 1.7 per cent in August compared to a year ago. The year-over-year increases of consumer prices in Alberta and Calgary were 0.6 and 0.5 per cent respectively in August 2010. Going forward, a strong Canadian dollar and cooling housing prices should cause inflation to moderate. Given subdued core CPI trend and slowing economic activity, the Bank of Canada (BoC) may assume a more gradual approach to rate hikes, especially given the impact of anemic economic recovery south of the border and globally.

Calgary's price changes milder than rest of Canada

On September 8, 2010, the Bank of Canada (BoC) raised its benchmark rate by 25 basis points (bps) to 1 per cent, the third consecutive hike since June 2010. The impact of interest rate hike on mortgage rate changes would be slight given the cooling domestic demand and declined housing sales in the summer. The tightening in monetary policies will make the inflationary outlook benign, with core inflation trending down below the BoC's target to the end of this year. Price spike in July caused by the implementation of the harmonized sales tax (HST) in

Ontario and British Columbia showed less impact in August at the national level and even less impact in Calgary. Gasoline inflation was also milder in August compared to July, which kept the CPI in Calgary moderate. Excluding the relatively more volatile items such as food and energy, the inflation rate in Calgary was even lower, as average prices increased by 0.42 per cent year over year in August 2010.

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

Shelter: Shelter costs decreased by 1.4 per cent, which lowered Calgary's overall inflation by 0.39 per cent in August 2010. Weaker housing prices and lower mortgage rates were the major causes in reducing shelter costs.

Food: In August, the 12-month-moving-average prices for food advanced 1.2 per cent after increasing by 1.4 per cent in July, which contributed 0.19 per cent to Calgary's overall inflation.

Transportation: Transportation prices went up 1.3 per cent in August 2010, which contributed 0.25 per cent to the overall inflation in Calgary. Consumers in Calgary paid higher prices for gasoline and passenger vehicle insurance premiums in August.

Next release: October 22, 2010

Inflation Rates

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

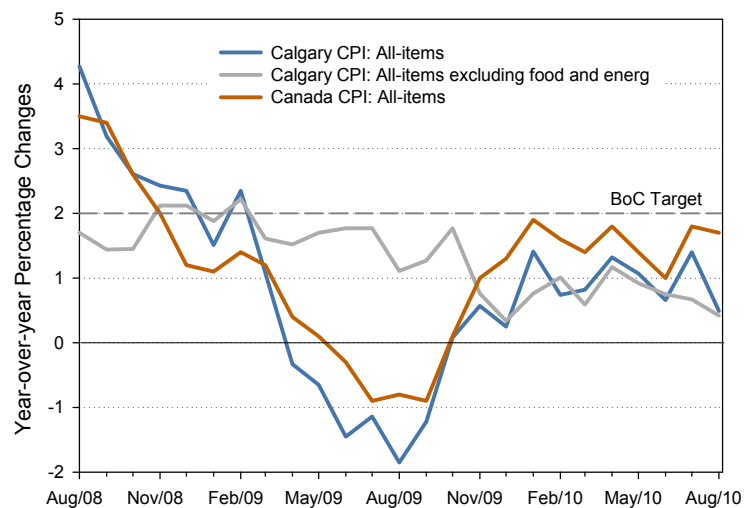
	Relative Importance (%)*	Aug-10 (%)	Jul-10 (%)	Aug-09 (%)
Calgary: All-items	100	0.6	0.4	0.8
Calgary: All-items excluding food and energy	75.2	0.8	0.8	2.1
Food	15.5	1.2	1.4	6.4
Shelter	27.7	(1.4)	(1.9)	0.3
Owned accommodation	17.9	(0.6)	(0.6)	2.5
Water, fuel and electricity	5.6	(5.9)	(9.5)	(11.0)
Household operations, furnishing and equipment	11.4	1.1	1.3	2.3
Clothing and footwear	5.2	0.1	0.2	(0.9)
Transportation	19.5	1.3	0.6	(4.4)
Gasoline	4.5	0.8	(1.7)	(17.5)
Health and personal care	4.5	6.6	6.3	2.9
Recreation, education and reading	12.9	1.6	1.7	0.3
Alcoholic beverages and tobacco products	3.3	2.1	2.5	3.3
Alberta: All-items	100	0.8	0.6	0.6
Alberta: All-items excluding food and energy	75.2	1.0	1.1	1.5
Canada: All-items	100	1.2	1.0	0.9
Canada: All-items excluding food and energy	73.6	1.1	1.0	1.2

Source: Statistics Canada, Corporate Economics, September 2010

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

Figures in red and parentheses indicate negative.

Consumer Prices: Year-over-year Changes



Sources: Statistics Canada, Corporate Economics, September 2010

Calgary's Monthly Inflation Review: August 2010

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.

For more information, please contact:

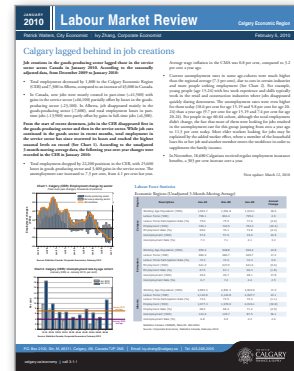
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Many of our publications are available on the internet at www.calgary.ca/economy.

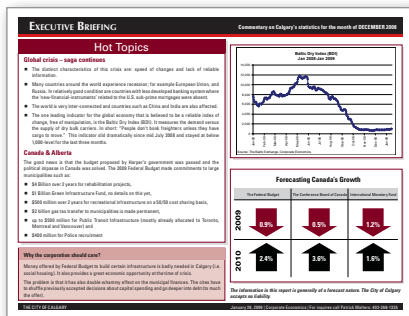
Monthly
Energy Markets and
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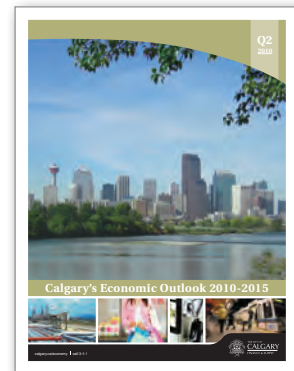
Monthly
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Commentary
Executive Briefing



Quarterly
Calgary's Quarterly Economic
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Corporate Research Analyst: Estella Scruggs

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Source: Statistics Canada