

## Calgary's Inflation Lower Than National Level in September 2010

### Inflationary pressures dampened in H2 2010

The headline inflation in Canada was 1.9 per cent in September compared to a year ago. The year-over-year increases of consumer prices in Alberta and Calgary were 0.9 and 0.8 per cent respectively in September 2010. Economic growth of Canada peaked in Q1 2010 and has slowed markedly since then. The weaker growth has dampened inflationary pressures in the second half of this year.

### Calgary's y-o-y inflation hovering near the lower bound of BoC's target range

September's consumer prices reinforced the notion that inflation is well contained in Calgary. Compared to the 1-3 per cent inflation target range set by the Bank of Canada (BoC), Calgary's CPI has been hovering near the lower bound since a year ago. Excluding volatile items such as food and energy, prices were likely mild as well. Slowing domestic demand, including a slight dip in output growth of 0.1 per cent in July and weak employment growth, should keep pricing pressures subdued in the near term. The increase in food and commodity prices could push up headline inflation, but is likely to be offset by other

disinflationary trends such as a strong Canadian dollar. The Bank of Canada continued its tightening cycle in September, bringing the overnight target rate to 1 per cent, its third consecutive 25-basis-point hike. The tightening in monetary policies will make the inflationary outlook well anchored, with core inflation trending down below BoC's target for the remainder of this year.

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

**Shelter:** In September 2010, shelter costs declined by 0.9 per cent, which lowered Calgary's overall inflation by 0.25 per cent. Softened housing prices and lower mortgage rates were the major causes in reducing shelter costs.

**Food:** The 12-month-moving-average prices for food advanced 1.2 per cent in September, which contributed 0.19 per cent to Calgary's overall inflation.

**Transportation:** Transportation prices increased 2.1 per cent in September 2010, which contributed 0.41 per cent to the overall inflation in Calgary.

Next release: November 23, 2010

### Inflation Rates

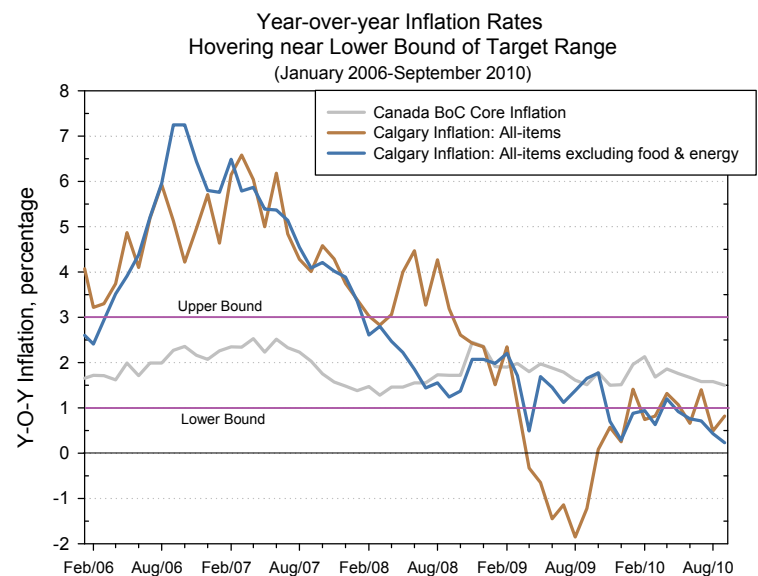
(12-Month-Moving-Average or average inflation rate for the past 12 months)

	Relative Importance (%)*	Sep-10 (%)	Aug-10 (%)	Sep-09 (%)
Calgary: All-items	100	0.8	0.6	0.4
Calgary: All-items excluding food and energy	75.2	0.8	0.8	2.6
Food	15.5	1.2	1.2	6.2
Shelter	27.7	(0.9)	(1.4)	(0.5)
Owned accommodation	17.9	(0.5)	(0.6)	2.0
Water, fuel and electricity	5.6	(2.9)	(5.9)	(13.6)
Household operations, furnishing and equipment	11.4	0.8	1.1	2.3
Clothing and footwear	5.2	(0.1)	0.1	(0.7)
Transportation	19.5	2.1	1.3	(5.2)
Gasoline	4.5	3.8	0.8	(21.4)
Health and personal care	4.5	6.1	6.6	3.3
Recreation, education and reading	12.9	1.4	1.6	0.4
Alcoholic beverages and tobacco products	3.3	1.7	2.1	3.4
Alberta: All-items	100	0.9	0.8	0.3
Alberta: All-items excluding food and energy	75.2	0.9	1.0	1.5
Canada: All-items	100	1.4	1.2	0.6
Canada: All-items excluding food and energy	73.6	1.1	1.1	1.2

Source: Statistics Canada, Corporate Economics, October 2010

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

Figures in red and parentheses indicate negative.



Sources: Statistics Canada, Bank of Canada, Corporate Economics, October 2010.

## Calgary's Monthly Inflation Review: September 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:

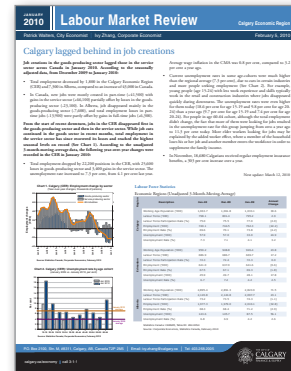
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Many of our publications are available on the internet at [www.calgary.ca/economy](http://www.calgary.ca/economy).

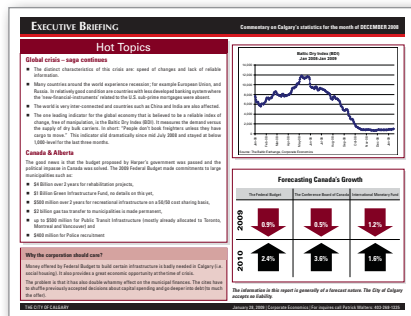
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Source: Statistics Canada, Bank of Canada

