

# Inflation Review

Patrick Walters, City Economist | Wendy Fan, Corporate Economist

February 18, 2011



## Inflation Rises in January 2011 on Higher Energy and Commodity Prices

### Inflation still lower than national level in Alberta and Calgary

Canada's headline CPI climbed 2.3 per cent in January 2011 on an annual basis. Compared to a year ago, consumer price indexes increased by 1.0 per cent in Alberta, and 0.7 per cent in Calgary. Concerns on inflation are increasing with higher energy and commodity prices. In Alberta and Calgary, inflation continued to be lower than the national level, which indicates the combined influences of lower energy costs and more overall excess capacity in our local market.

### Rising food and other commodity prices may cause higher global inflation

Diverse factors are impacting global food prices and availability, including erratic weather conditions and food speculation caused by the recent social unrest in Egypt and other Middle East and North African (MENA) countries. Wheat supplies are threatened by flood in Australia, drought in China, and negative weather shocks in other major producing areas this year. The crisis in MENA region further contributed to food price spikes and shortages with panic buying and stockpiling initiated from North

Africa. This political crisis also caused concerns about access to the Suez Canal and security of energy supplies. Although the excess capacity and slow employment market will generally moderate price increases in Calgary, the inflationary pressures caused by the global market might be felt by Calgarians later this year.

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

**Shelter:** In January 2011, shelter costs increased 0.1 per cent, which contributed to Calgary's overall inflation by 0.03 per cent. It is the first month for this indicator turning positive since September 2009.

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

**Transportation:** Transportation prices increased 2.5 per cent in January, which contributed 0.49 per cent to the overall inflation in Calgary. Higher gasoline prices at the pump were the major driver in lifting transportation costs.

Next release: March 18, 2011

### Inflation Rates

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

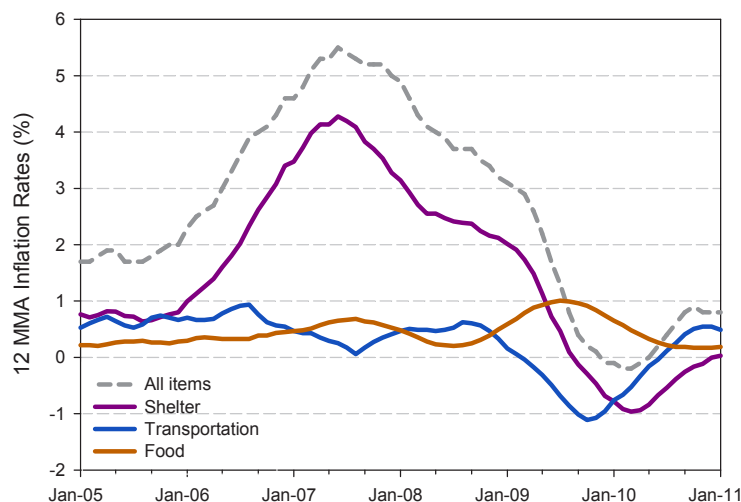
	Relative Importance (%)*	Jan-11 (%)	Dec-10 (%)	Jan-10 (%)
Calgary: All-items	100	0.8	0.8	(0.1)
Calgary: All-items excluding food and energy	75.2	0.6	0.6	1.3
Food	15.5	1.2	1.1	4.2
Shelter	27.7	0.1	(0.0)	(2.8)
Owned accommodation	17.9	0.3	0.1	0.0
Water, fuel and electricity	5.6	0.6	1.1	(18.5)
Household operations, furnishing and equipment	11.4	(0.2)	(0.1)	2.8
Clothing and footwear	5.2	(1.7)	(1.5)	0.3
Transportation	19.5	2.5	2.8	(3.9)
Gasoline	4.5	4.2	4.9	(17.1)
Health and personal care	4.5	4.3	4.7	4.8
Recreation, education and reading	12.9	0.5	0.6	1.1
Alcoholic beverages and tobacco products	3.3	0.8	1.0	3.8
Alberta: All-items	100	0.9	1.0	(0.1)
Alberta: All-items excluding food and energy	75.2	0.7	0.7	1.4
Canada: All-items	100	1.8	1.8	0.4
Canada: All-items excluding food and energy	73.6	1.3	1.3	1.1

Source: Statistics Canada, Corporate Economics, February 2011

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

Figures in red and parentheses indicate negative.

Major Contributors to Calgary's Inflation (12-Month-Moving-Average)



Source: Statistics Canada & Corporate Economics, February 2011

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## 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:

Wendy Fan  
403.268.8690 or wenhui.fan@calgary.ca

Patrick Walters  
403.268.1335 or patrick.walters@calgary.ca

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

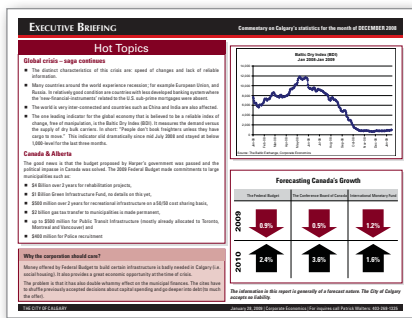
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Energy Markets and  
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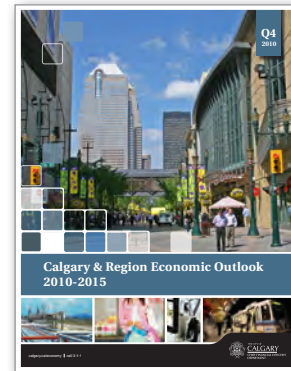
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Corporate Research Analyst: Estella Scruggs

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Sources: Statistics Canada, Bank of Canada and Corporate Economics.

