

# Inflation Review

Patrick Walters, City Economist | Wendy Fan, Corporate Economist

October 21, 2011



## Calgary's Inflation Still Mild Compared to National Average in September 2011

### Both Canadian headline and core inflation elevated in September

Canada's headline inflation advanced 3.2 per cent in September 2011 on annual basis, after an increase of 3.1 per cent in August. Core inflation also accelerated to 2.2 per cent from 1.9 per cent observed in August, the largest year-over-year gain since December 2008. It has also been the first time since March 2010 for the core inflation to exceed the Bank of Canada's 2 per cent target. Inflation increased by 2.8 per cent in Alberta compared to a year ago. Consumers in Calgary experienced a relatively lower price increase, with the year-over-year inflation at 2.5 per cent in September.

### Inflation to remain moderate in Q4 2011 in Calgary

Global commodity prices dropped in September with the deterioration of world economy, the ongoing sovereign debt problems in Europe and the U.S., and cooling manufacturing activity in major emerging markets. The gradual deceleration in gasoline costs should moderate the consumer prices in Canada and Calgary in the following months. However, inflationary pressures still exist in Calgary. Shelter costs have been rising steadily since the beginning of the year, which is in line with the stabilizing housing prices in Calgary in 2011. Although tighter new mortgage policies earlier this year and economic

uncertainties in recent months put downward pressures on housing price, the persistence of low mortgage rates and improved employment and wages should cancel the adverse impacts and maintain a steady market. Food prices are also trending up and passing through to Calgary consumers, which have been reflected by the recent increase in grocery costs. It is expected that the inflation should remain moderate in the fourth quarter of 2011 in Calgary.

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

**Food:** The 12-month-moving-average for food price advanced 2.4 per cent in September, which translated into 0.37 per cent of the overall inflation in Calgary.

**Shelter:** In September 2011, Calgarians paid 1.3 per cent more on shelter costs, which contributed 0.36 per cent to Calgary's overall inflation. The major drivers were the utilities costs on water, fuel and electricity, which climbed by 6.7 per cent in September.

**Transportation:** Transportation costs rose 4.4 per cent, which added 0.86 per cent to the overall inflation in Calgary. Consumers paid 17.2 per cent more for gasoline, after a 15.4 per cent increase in the previous month.

Next release: November 18, 2011

### Inflation Rates

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

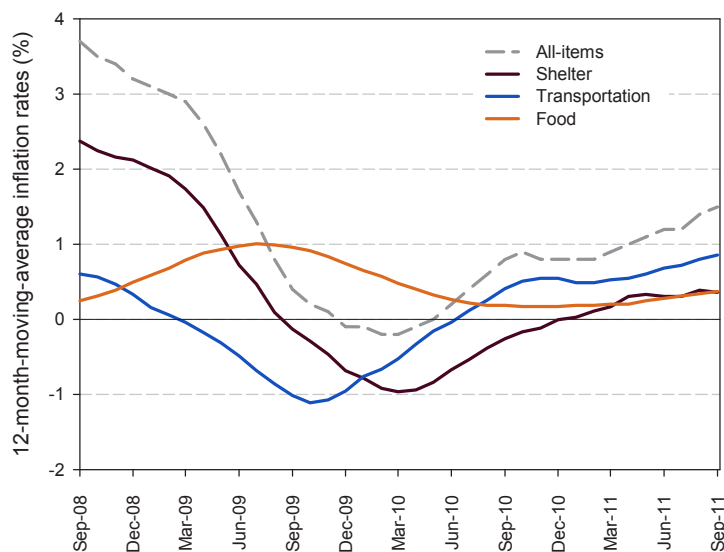
	Relative Importance (%)*	Sep-11 (%)	Aug-11 (%)	Sep-10 (%)
Calgary: All-items	100	1.5	1.4	0.8
Calgary: All-items excluding food and energy	75.2	0.5	0.4	0.8
Food	15.5	2.4	2.2	1.2
Shelter	27.7	1.3	1.4	(0.9)
Owned accommodation	17.9	0.8	0.8	(0.5)
Water, fuel and electricity	5.6	6.7	6.9	(2.9)
Household operations, furnishing and equipment	11.4	0.9	0.5	0.8
Clothing and footwear	5.2	(2.8)	(2.9)	(0.1)
Transportation	19.5	4.4	4.1	2.1
Gasoline	4.5	17.2	15.4	3.8
Health and personal care	4.5	2.2	2.1	6.1
Recreation, education and reading	12.9	(0.4)	(0.4)	1.4
Alcoholic beverages and tobacco products	3.3	0.8	0.7	1.7
Alberta: All-items	100	1.8	1.7	0.9
Alberta: All-items excluding food and energy	75.2	0.6	0.5	0.9
Canada: All-items	100	2.8	2.7	1.4
Canada: All-items excluding food and energy	73.6	1.6	1.6	1.1

Source: Statistics Canada, Corporate Economics, October 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, September 2008 - September 2011



Source: Statistics Canada & Corporate Economics, October 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.

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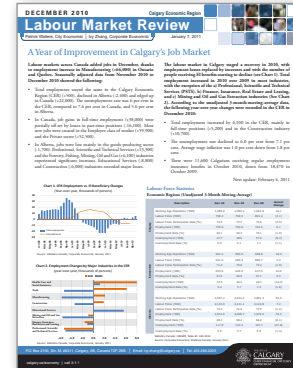
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Many of our publications are available on the internet at [www.calgary.ca/economy](http://www.calgary.ca/economy).

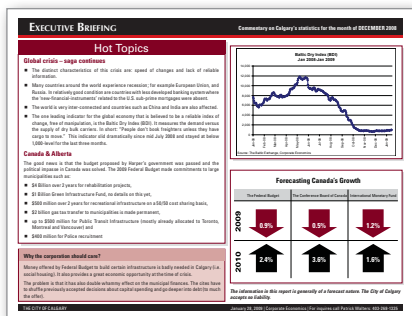
Monthly  
Energy Markets and  
the Economy



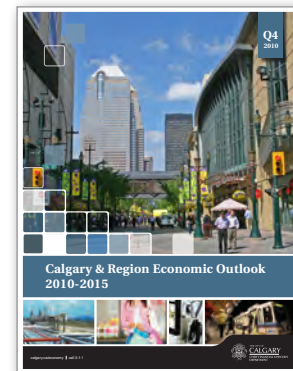
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Commentary  
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Corporate Research Analyst: Estella Scruggs

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

