

Inflation Review

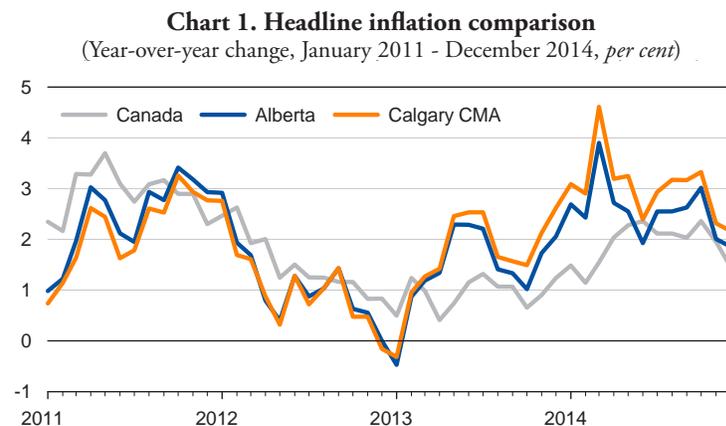
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January 23, 2015

Plunging gasoline prices led to a deceleration in Calgary's inflation rate

In December 2014, the headline inflation rate for the Calgary census metropolitan area (CMA) slowed to 2.2 per cent year-over-year as transportation costs shrank 1.3 per cent. Oil prices have fallen sharply in the last few months, which continues to put downward pressure on inflation in Calgary. Gasoline prices plunged 16.0 per cent from December 2013, and 12.0 per cent month-over-month. Meanwhile, food remained the key driver for inflation in 2014, and was 4.4 per cent more expensive than last year. Food purchased from stores was up 5.0 per cent and restaurant bills were up 2.9 per cent. Among the commonly purchased food items from stores, meat recorded the biggest gain in December, rising by 17.9 per cent. Food prices are likely to climb higher in the coming months as a result of the depreciation of the Canadian dollar and the drought in California. Upward movement was also observed in other items in Calgary. The cost of shelter jumped 4.4 per cent, and alcoholic beverages and tobacco products climbed 4.1 per cent from December 2013.

In Alberta, the all-items inflation rate fell to 1.9 per cent in December from 2.0 per cent in November. Nationally, Canada's inflation rate decelerated to 1.5 per cent from 2.0 per cent. With weaker oil prices, the Bank of Canada is projecting total consumer inflation to average between 0 and 1.0 per cent in 2015, and move back up to the Bank's target of 2.0 per cent the following year. Due to lower inflationary expectations, the Bank slashed its overnight



Sources: Statistics Canada, Corporate Economics, January 2015

interest rate by 25 basis points earlier this week.

The headline inflation rate for 2014 in Calgary came in at 3.0 per cent, which was particularly high when compared to 2013's rate of 1.7 per cent. Apart from the highly volatile food and energy categories, Calgary's core inflation rate was 2.6 per cent in December and 2.9 per cent for the year. Overall, the inflation rate should trend downwards in the coming months, aided by lower gasoline prices.

Next release: February 26, 2015

Inflation Rates

	Relative Importance (%) [*]	Year-over-year			Annual Rates		
		Dec-14 (%)	Nov-14 (%)	Dec-13 (%)	2014 (%)	2013 (%)	2012 (%)
Calgary: All-items	100.00	2.2	2.3	2.6	3.0	1.7	1.0
Calgary: All-items excluding food and energy	76.49	2.6	2.6	2.4	2.9	1.7	1.3
Food	15.99	4.4	4.2	2.6	3.4	2.3	2.0
Shelter	26.56	4.4	3.3	4.9	5.5	3.3	0.1
Rented accommodation	5.40	3.5	3.4	3.5	3.3	3.3	1.1
Owned accommodation	16.24	4.5	4.6	4.5	5.5	2.7	1.1
Water, fuel and electricity	4.84	5.4	(1.8)	8.9	9.0	5.5	(4.6)
Household operations, furnishing and equipment	12.27	3.2	3.6	2.1	2.8	2.0	1.5
Clothing and footwear	5.88	(0.2)	(1.8)	1.5	0.7	0.7	(0.7)
Transportation	20.44	(1.3)	1.5	3.1	2.7	0.8	1.7
Gasoline	3.81	(16.0)	(3.8)	5.4	2.0	0.2	1.4
Health and personal care	4.65	1.1	1.6	0.1	1.2	(0.2)	2.4
Recreation, education and reading	11.37	1.4	1.2	1.4	2.3	0.8	0.1
Alcoholic beverages and tobacco products	2.83	4.1	3.7	2.2	3.6	1.5	2.1
Alberta: All-items	100.00	1.9	2.0	2.1	2.6	1.4	1.1
Alberta: All-items excluding food and energy	76.49	2.3	2.3	1.9	2.4	1.4	1.3
Canada: All-items	100.00	1.5	2.0	1.2	1.9	0.9	1.5
Canada: All-items excluding food and energy	74.85	1.9	2.0	0.9	1.6	0.8	1.3

Sources: Statistics Canada, Corporate Economics, January 2015

* 2011 CPI basket weights at January 2013 prices, date modified March 27, 2013

Figures in red and parentheses indicate negative.

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Who We Are

Corporate Economics provides services in four areas: forecasting, information provision, policy analysis and consulting. We also monitor the current economic trends which allows us to develop unique insights on how external events are impacting the local economy and the Municipal government. We are experienced at researching different economic topics and have developed reliable methods of forecasting and analysis.

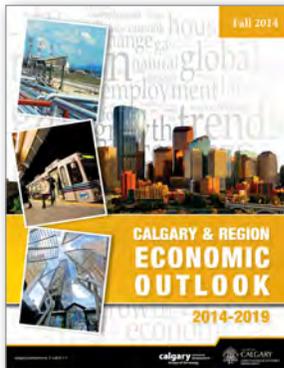
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- ▶ Construction Inflation
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- ▶ Inflation Review
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- ▶ A Case of Fiscal Imbalance: The Calgary Experience
- ▶ Diesel Fuel Price Pass-Through in Calgary
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Sources: Statistics Canada, Bank of Canada, Corporate Economics.

