

Calgary's Monthly INFLATION REVIEW

February 2009

March 19, 2009

Moderate inflation continued with weaker than expected economic activities

Inflation continued to decline in February

The inflation rates from March 2008 to February 2009 averaged 3.0 per cent in Calgary, 2.9 per cent in Alberta and 2.2 per cent in Canada. Newly released economic indicators, including fourth quarter GDP growth and February job losses, point to a sharp decline of aggregate demand in the Canadian economy. Weaker than expected economic activities across the country resulted in a larger output gap¹ and the related lower inflation.

Bank of Canada cut its overnight interest rate to the lowest of 0.5 per cent

The Bank of Canada's core inflation rate was 1.9 per cent in February, same as in January. Before the release of February inflation data, the Bank of Canada cut its overnight interest rate by one-half of a percentage point to 0.5 per cent. Since the inflation was not a concern in its view, the Bank indicated that monetary stimulus was immediately needed so as to boost domestic demand and therefore prevent future inflation rates falling below the bottom of the target range.

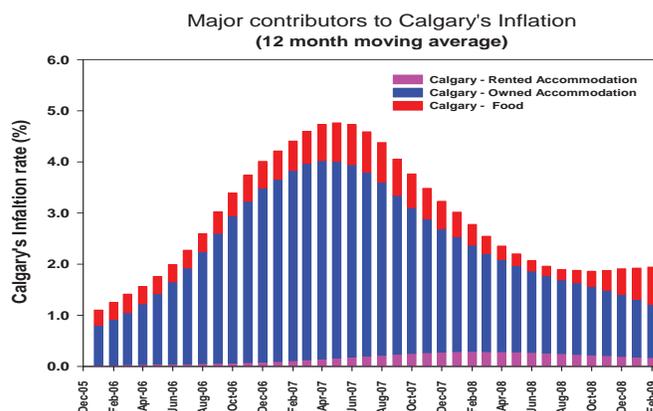
Major contributors to Calgary's inflation

Food, owned accommodation and rented accommodation account for about 15.5 per cent, 17.9 per cent and 4.2 per cent, respectively, of the money Calgarians spend on purchasing

goods and services. Over the past three years, price increases in owned accommodation and rented accommodation contributed the most to overall inflation in Calgary. For example in May 2007, an inflation rate of 21.5 per cent in owned accommodation contributed 3.9 percentage points to the overall inflation of 5.3 per cent. As the result of the cooling down in Calgary's housing markets, accommodation's costs have been on a downward trend. However, higher food prices due to softening of the Canadian dollar acted as an offset.

¹ Output gap is the difference between real and potential GDP outputs. Currently Canadian GDP output is below its potential.

Next release: April 17, 2009



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

	Relative Importance (%)*	Feb-09	Jan-09	Feb-08
Calgary: All-items	100.0	3.0	3.1	4.6
Calgary: All-items excluding food & energy	75.2	1.9	2.0	4.5
Food	15.5	4.7	3.9	2.6
Shelter	27.7	6.9	7.3	10.6
owned accommodation	17.9	5.8	6.3	11.6
rented accommodation	4.2	4.1	4.4	7.0
Household operations, furnishing & equipment	11.4	0.9	0.6	1.1
Clothing & footwear	5.2	(2.2)	(2.5)	0.4
Transportation	19.5	0.3	0.9	2.5
Gasoline	4.5	6.0	9.1	9.6
Health & personal care	4.5	2.4	2.2	1.9
Recreation, education & reading	12.9	0.2	0.2	1.5
Alcoholic beverages & tobacco products	3.3	2.7	3.1	6.4
Alberta: All-items	100.0	2.9	3.0	4.8
Alberta: All-items excluding food & energy	75.2	1.8	1.9	4.7
Canada: All-items	100.0	2.2	2.3	2.2
Canada: All-items excluding food & energy	73.6	1.2	1.2	1.9

Source: Statistics Canada, Corporate Economics, March 2009

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

February 2009

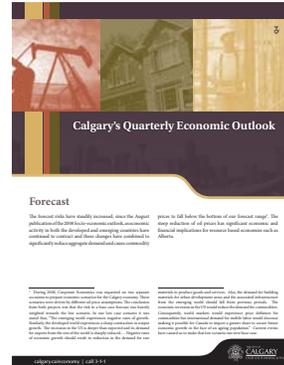
INFLATION REVIEW

Calgary Census Metropolitan Area (CMA)

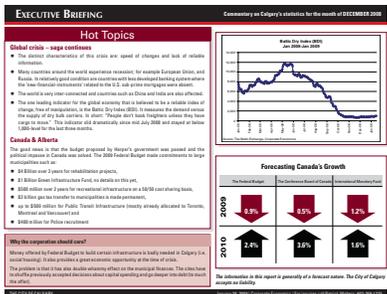
Monthly
Energy Market Update



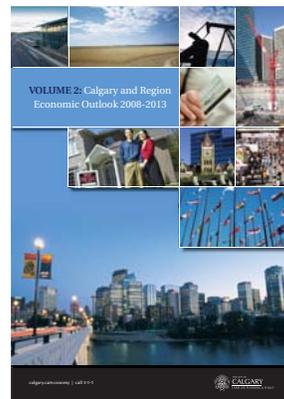
Quarterly
Calgary's Quarterly Economic Outlook



Commentary
Executive Briefing



Annually
Calgary and Region Economic Outlook



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:

Ivy Zhang at 403.268.2005 or
ivy.zhang@calgary.ca.

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

DMD: Jeff Brown Source: Statistics Canada

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