

# Calgary's Monthly INFLATION REVIEW



April 2009

May 20, 2009

## Declining inflation provided room for The Bank of Canada's monetary policy

### Weak domestic demand kept inflation<sup>1</sup> low

Consumer price indexes in April 2009 dropped by 0.3 per cent in Calgary, 0.7 per cent in Alberta, and rose slightly by 0.4 per cent in Canada over a year ago. Downward trend in housing starts reflected the weakening domestic demand nationwide. Concerns over the near-term job security continued to constrain working Canadians' spending on non-essential goods and services.

### Bank of Canada cut its overnight interest rate again in April and committed to fight recession

The Bank of Canada cut its overnight interest rate to 0.25 per cent on April 21, leading to a corresponding Bank Rate<sup>2</sup> of 0.5 per cent. Based on The Bank's April Monetary Policy Report, the weaker-than-expected activity in all major economies would drag down Canada's economy to a deeper recession. The growth in Canada is expected to contract by 3 per cent this year and pick up slowly next year. The projection for inflation is to moderate through 2009, reaching a trough of 0.9 per cent in the fourth quarter. Conditional on this depressed outlook for inflation, The Bank of Canada committed to keeping the current low interest rate until the end of second quarter 2010

to promote economic growth by providing much needed credit ease for both businesses and consumers.

### Major contributors to the changes of Calgary's inflation<sup>3</sup>

**Shelter:** In April 2009, inflation was 5.4 per cent in owned accommodation and 9.7 per cent in water, fuel and electricity, which contributed to 1 per cent and 0.5 per cent to overall inflation in Calgary, respectively.

**Food:** Higher food prices were observed in April and this was caused by the depreciation in the Canadian exchange rate. April inflation of 6.2 per cent in food contributed 1 per cent to Calgary's overall inflation.

**Transportation:** The inflation rate of transportation started to decline in March 2009 and continued in April, due to the drop in private transportation and gasoline prices. The 1 per cent deflation in transportation offset 0.2 per cent overall inflation in Calgary.

Next release: June 18, 2009

1 Inflation is defined as percentage change of consumer price indices over a year.

2 The difference between the Bank Rate and Overnight Target Rate is usually 0.25 per cent.

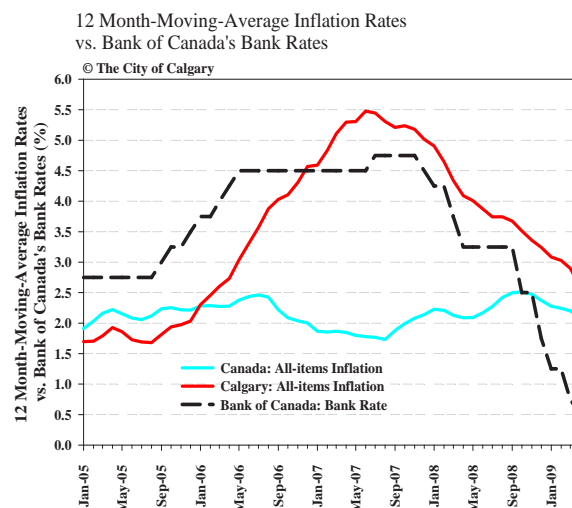
3 Twelve-month-moving average inflation

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

	Relative Importance (%)*	Apr-09	Mar-09	Apr-08
Calgary: All-items	100.0	2.6	2.9	4.1
Calgary: All-items excluding food & energy	75.2	1.7	1.8	4.0
<b>Food</b>	<b>15.5</b>	<b>6.2</b>	<b>5.5</b>	<b>1.7</b>
<b>Shelter</b>	<b>27.7</b>	<b>5.4</b>	<b>6.3</b>	<b>9.2</b>
<i>owned accommodation</i>	17.9	4.6	5.3	10.1
<i>Water, fuel and electricity</i>	5.6	9.7	12.3	7.8
Household operations, furnishing & equipment	11.4	1.3	1.1	1.1
Clothing & footwear	5.2	(1.5)	(2.0)	(0.6)
<b>Transportation</b>	<b>19.5</b>	<b>(1.0)</b>	<b>(0.2)</b>	<b>2.4</b>
<i>Gasoline</i>	4.5	(1.1)	2.9	10.9
Health & personal care	4.5	2.7	2.5	1.9
Recreation, education & reading	12.9	0.0	0.1	1.7
Alcoholic beverages & tobacco products	3.3	2.0	2.3	6.4
Alberta: All-items	100.0	2.4	2.7	4.4
Alberta: All-items excluding food & energy	75.2	1.6	1.7	4.3
Canada: All-items	100.0	2.1	2.2	2.1
Canada: All-items excluding food & energy	73.6	1.2	1.2	1.7

Source: Statistics Canada, Corporate Economics, April 2009

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



Source: Statistics Canada & Corporate Economics, May 2009

Note: The Bank Rate is 0.25 per cent higher than The overnight target rate

April 2009

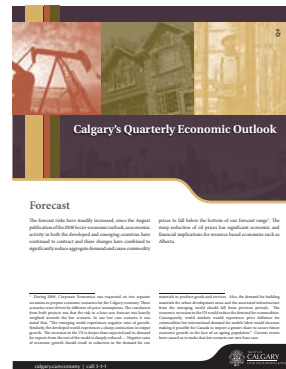
# INFLATION REVIEW

Calgary Census Metropolitan Area (CMA)

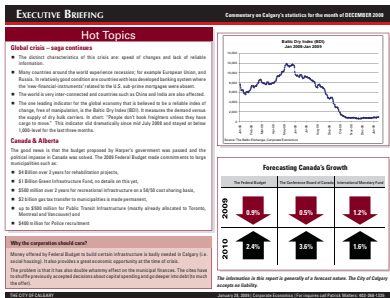
Monthly  
Energy Market Update



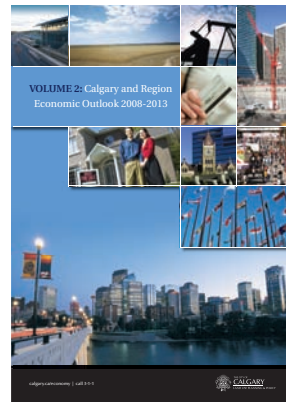
Quarterly  
Calgary's Quarterly Economic Outlook



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.

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

DMD: Jeff Brown Source: Statistics Canada

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