

Calgary's Monthly INFLATION REVIEW



September 2009

October 16, 2009

Low inflation rate ensures The Bank of Canada's monetary policy

Consumer prices in September continued to decline compared to a year ago

Consumer price indices in September 2009 declined by 1.2 per cent in Calgary, 1.1 per cent in Alberta, and 0.9 per cent in Canada over a year ago. This was mainly driven by price reductions in shelter and transportation components in the basket of a typical consumer's goods and services.

The Bank of Canada kept interest rate low to support growth in domestic demand and to restrain the strength of Canadian dollar

From October 2008 to April 2009, The Bank of Canada reacted quickly to the economic recession by dramatically cutting its target for overnight interest rate from 3 per cent to the current level of 0.25 per cent. Since then, The Bank has maintained the low overnight rate and committed to keep this level until the end of the second quarter of 2010, conditional on the inflation outlook. This accommodative monetary policy serves to help transfer a public sector led recovery to a sustained private sector led growth in the medium-term, by providing low borrowing costs for businesses and consumers. It also helps to offset the recent strength of the Canadian dollar. The Bank's recent assessment sees the risks of inflation as

balanced, while slightly tilted to the downside. This is supported by the close to 2 per cent core inflation rate, albeit with year-over-year deflation in all-item inflation rates across the country¹. (See chart)

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

Shelter: In September 2009, there was 0.5 per cent deflation in shelter which offset overall inflation in Calgary by 0.1 per cent.

Food: The September inflation of 10.6 per cent in food contributed 1.6 per cent to Calgary's overall inflation.

Transportation: The deflation in transportation prices continued in September, by 9 per cent, lowering overall inflation in Calgary by 1.8 per cent.

Next release: November 18, 2009

¹ The Bank of Canada aims to contain annual inflation (12 month moving average inflation) as measured by the rate of change in the total CPI at a target range currently extends from 1 to 3 per cent. The Bank of Canada uses core CPI inflation, the year-over-year rate of change of the consumer price index excluding food, energy, and the effects of changes in indirect taxes, as the operational guide for monetary policy.

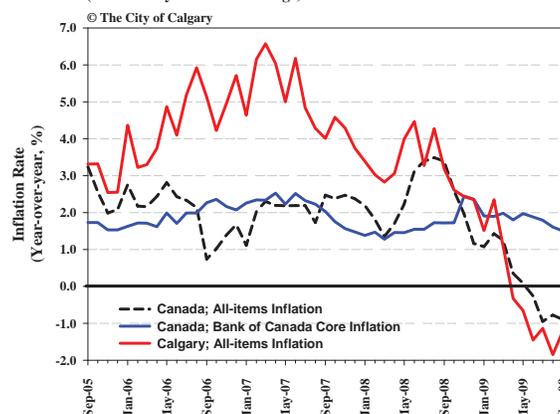
Inflation Rates
(12-Month-Moving-Average or average inflation rate for the past 12 months)

	Relative Importance (%)*	Sep-09	Aug-09	Sep-08
Calgary: All-items	100.0	0.4	0.8	3.7
Calgary: All-items excluding food & energy	75.2	2.6	2.1	2.7
Food	15.5	10.6	8.9	1.6
Shelter	27.7	(0.5)	0.3	8.6
<i>owned accommodation</i>	17.9	2.0	2.5	7.8
<i>Water, fuel and electricity</i>	5.6	(13.6)	(11.0)	13.7
Household operations, furnishing & equipment	11.4	3.9	3.1	0.6
Clothing & footwear	5.2	(1.3)	(1.3)	(2.2)
Transportation	19.5	(9.0)	(6.1)	3.0
<i>Gasoline</i>	4.5	(36.5)	(24.3)	18.5
Health & personal care	4.5	5.7	4.0	2.0
Recreation, education & reading	12.9	0.7	0.4	1.1
Alcoholic beverages & tobacco products	3.3	5.9	4.5	4.2
Alberta: All-items	100.0	0.3	0.6	3.8
Alberta: All-items excluding food & energy	75.2	1.5	1.5	2.8
Canada: All-items	100.0	0.6	0.9	2.5
Canada: All-items excluding food & energy	73.6	1.2	1.2	1.3

Source: Statistics Canada, Corporate Economics, October 2009

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

Inflation Rates: Canada vs. Calgary
(Year-over-year CPI % change)



Source: Statistics Canada & Corporate Economics, October 2009

September 2009

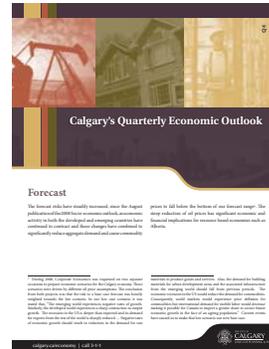
INFLATION REVIEW

Calgary Census Metropolitan Area (CMA)

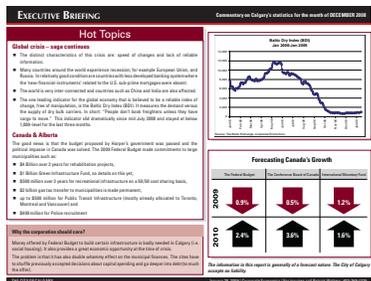
Monthly
Energy Market Update



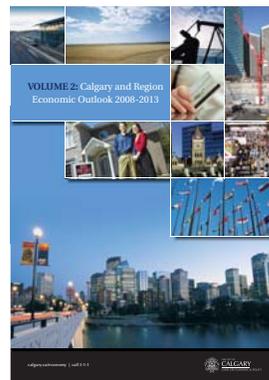
Quarterly
Calgary's Quarterly Economic Outlook



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.

DMD: Jeff Brown Source: Statistics Canada

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