

Calgary's Monthly INFLATION REVIEW



October 2009

November 18, 2009

CPI Registered a Mild Positive Reading on a Y/Y Basis in October 2009

Consumer prices indicated a mild increase in October after months of disinflation

After four consecutive negative readings, consumer price indices in October 2009 increased by 0.1 per cent in Canada, 0.1 per cent in Alberta, and 0.1 per cent in Calgary compared to a year ago. The core inflation and non-energy prices remained near the Bank of Canada's inflation target of 2 per cent. Economic weakness and a strong Canadian dollar are expected to keep core inflation moderate for the rest of this year despite increasing food prices.

Calgary showed positive inflation rate as the steep slide in oil price late last year fell out of the calculation

The major contributor to the negative headline CPI in the past four months of 2009 was the disparity in oil prices between last year and this year. In October 2008, oil price started falling in response to recessionary forces and the collapse in global oil demand. Before that in the first three quarters of 2008, oil price was significantly above its historical average, as shown in the graph below. Since the steep reduction in oil price fell out of the year-over-year calculation, headline inflation moved back into positive terrain.

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

Shelter: The 1.0 per cent decrease in shelter costs in October was primarily caused by the continuing price decreases in natural gas (-27.9%) and fuel oil and other fuels (-29.4%). The downward pressure of mortgage interest costs also contributed to the deflation in shelter.

Food: Food prices continued to be the main driver of inflation. The strong increase of 20.6 per cent in food prices contributed 3.2 per cent to Calgary's overall inflation in October.

Transportation: Transportation was still the most significant downward contributor in the price index. Over the past twelve months, the 19.8 per cent deflation in transportation caused a 3.9 per cent deflation in Calgary. Gasoline was the major driver of this change. The deflation in gasoline (-83%) led to a 3.7 per cent change in Calgary's overall inflation from October 2008 to October 2009.

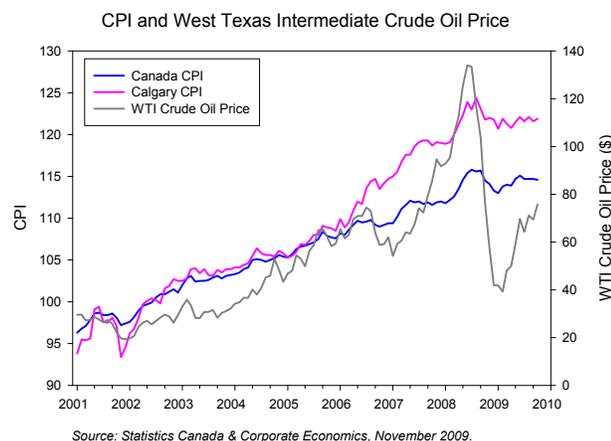
Next release: December 17, 2009

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

	Relative Importance (%)*	Oct-09	Sep-09	Oct-08
Calgary: All-items	100	0.2	0.4	3.5
Calgary: All-items excluding food and energy	75.2	5.5	2.6	2.4
Food	15.5	20.6	10.6	1.9
Shelter	27.7	(1.0)	(0.5)	8.1
Owned accommodation	17.9	1.5	2.0	7.5
Water, fuel and electricity	5.6	(14.9)	(13.6)	12.5
Household operations, furnishing and equipment	11.4	8.7	3.9	0.6
Clothing and footwear	5.2	(1.2)	(1.3)	(2.2)
Transportation	19.5	(19.8)	(9.0)	2.9
Gasoline	4.5	(83.0)	(36.5)	18.7
Health and personal care	4.5	13.0	5.7	2.1
Recreation, education and reading	12.9	1.9	0.7	0.8
Alcoholic beverages and tobacco products	3.3	12.3	5.9	3.8
Alberta: All-items	100	0.1	0.3	3.6
Alberta: All-items excluding food and energy	75.2	1.6	1.5	2.5
Canada: All-items	100	0.4	0.6	2.5
Canada: All-items excluding food and energy	73.6	1.2	1.2	1.2

Source: Statistics Canada, Corporate Economics, November 2009

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



Source: Statistics Canada & Corporate Economics, November 2009.

October 2009

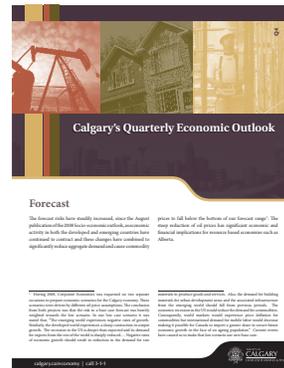
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Calgary Census Metropolitan Area (CMA)

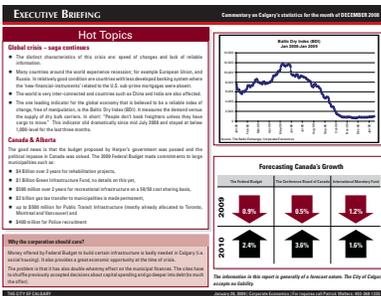
Monthly
Energy Market Update



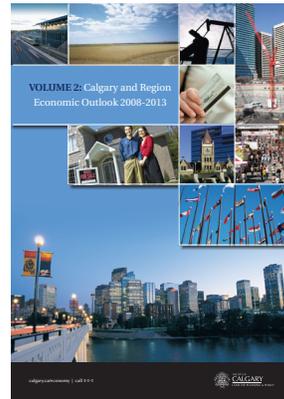
Quarterly
Calgary's Quarterly Economic Outlook



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.

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