

Calgary's Monthly INFLATION REVIEW

November 2009

December 17, 2009

Inflation is back on the radar

Moderate increases in consumer goods and services continued in November

Consumer price indexes in November increased slightly by 0.1 per cent in Calgary, 0.8 per cent in Alberta, and 1 per cent in Canada over a year ago. These moderate inflations were a combination of increasing prices in food and other items while lower costs in shelter and transportation provided an offset. The current 1.5 per cent of core inflation rate was still within The Bank of Canada's target range (see Chart 1).

More upward pressures on consumer prices in the medium term

In the past few months, deflations in shelter and transportation were partially offset by inflations in food, household operations, furnishings & equipment, and recreation, education and reading (see Chart 2). In addition to these sectors, shelter costs are expected to add more upward pressures on inflation. As many people took advantage of the current extremely low interest rates, housing prices have increased in most Canadian markets. With the recovery on the way, The Bank of Canada is expected to increase interest rate in the second half of 2010. This would eventually increase the overall

mortgage carrying costs. As a result, The Bank recently raised concerns about the historically high Canadian household debt to income ratios, advising people to make purchase decisions based on their affordability under normal interest rates.

Major contributors to Alberta's 12-month moving average inflation in November 2009

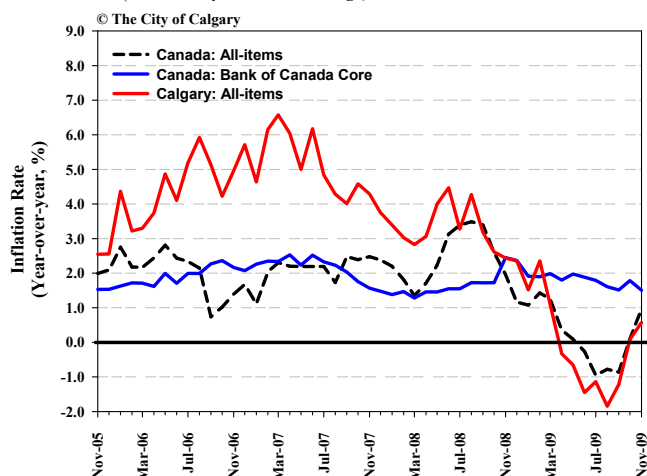
Shelter: There was 1.7 per cent deflation in shelter which offset -0.5 per cent overall inflation in Alberta. The deflation in shelter was contributed by the sharp declines in prices of water, fuel and electricity (-13.7 per cent), especially in natural gas prices (-28.5 per cent).

Food: The inflation of 5.4 per cent in food contributed 0.8 per cent to Alberta's overall inflation.

Transportation: The continued 5.5 per cent deflation in transportation prices offset 1.1 per cent overall inflation in Alberta. Moderate price increase in public transit (1.5 per cent) was more than offset by price decreases in private transportation (-6.3 per cent) including gasoline (-22.5 per cent).

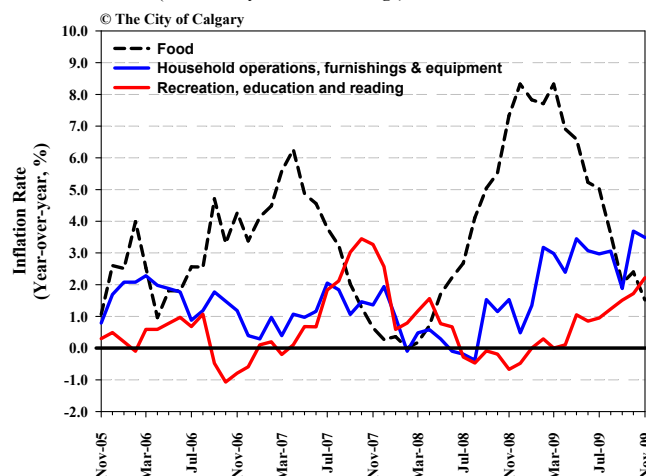
Next release: January 20, 2010

Chart 1. Inflation Rates: Calgary vs. Canada
(Year-over-year CPI % change)



Source: Statistics Canada & Corporate Economics, December 2009

Chart 2. Inflation by Sectors: Alberta
(Year-over-year CPI % change)



Source: Statistics Canada & Corporate Economics, December 2009

November 2009

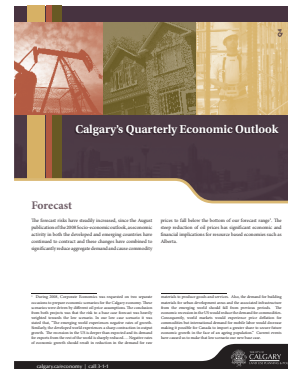
INFLATION REVIEW

Calgary Census Metropolitan Area (CMA)

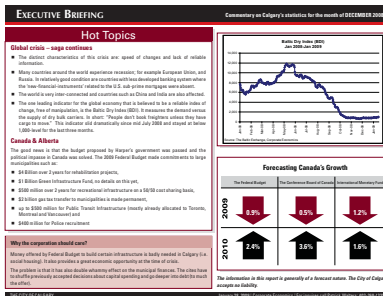
Monthly
Energy Market Update



Quarterly
Calgary's Quarterly Economic Outlook



Commentary
Executive Briefing



Annually
Calgary and Region Economic Outlook



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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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