

Inflation Still Moderate in January 2010

CPI began picking up from the slow pace experienced in 2009

Inflation rate continued to increase in January 2010. Compared to a year ago, consumer price indexes climbed 1.9 per cent in Canada, 1.7 per cent in Alberta, and 1.4 per cent in Calgary. Stronger demand led to higher commodity prices which resulted in increases in consumer prices. It was the third consecutive month since gasoline prices have exerted upward pressure on CPI. However, core inflation continues to be well within the central bank's target and the remaining output gap and the drag from strong Canadian dollar will restrain inflation.

Factors affecting recent inflation trend

The overall inflation in Calgary is a weighted index of price changes of various goods and services based on their relative importance in the CPI basket. From the graph below, we can see the trend of shelter costs is highly correlated with the trend of the overall inflation. Shelter costs take up 27.7% of the weight in the CPI basket, which explained over half of the changes in the decline of Calgary's consumer prices from its 2007 peak. Food and gasoline are also highly weighted in the CPI

basket. The pick up of the prices of both food and gasoline put upward pressure on the inflation rate, which, however, is dominated by the downward pressure from the shelter costs. The CPI in Calgary would remain moderate until the economy returns to its full capacity.

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

Shelter: The 2.8 per cent decrease in shelter costs in January 2010 offset 0.8 per cent of Calgary's overall inflation. The decline was caused by lower mortgage interest costs and natural gas prices.

Food: Food prices rose 4.2 per cent in January 2010, which was lower than the 4.8 per cent increase in last December. The total contribution of food prices to Calgary's overall inflation in January was 0.7 per cent.

Transportation: The 12-month-moving-average transportation prices decreased by 3.9 per cent in January 2010, which offset 0.8 per cent of the overall inflation in Calgary. The downward pressure was mostly caused by gasoline price which dropped by 17.1 per cent at the 12-month-moving-average level.

Next release: March 19, 2010

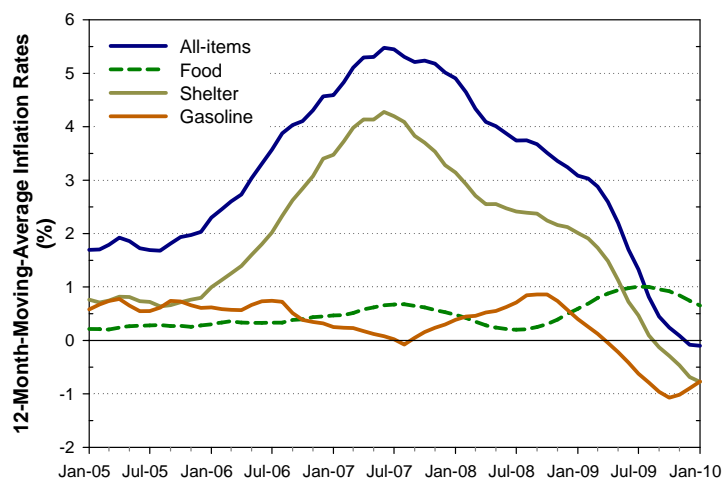
Inflation Rates

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

	Relative Importance (%)*	Jan-10	Dec-09	Jan-09
Calgary: All-items	100	(0.0)	(0.1)	3.1
Calgary: All-items excluding food and energy	75.2	1.3	0.8	2.0
Food	15.5	4.2	4.8	3.8
Shelter	27.7	(2.8)	(2.5)	7.3
Owned accommodation	17.9	0.0	0.5	6.3
Water, fuel and electricity	5.6	(18.6)	(18.5)	13.3
Household operations, furnishing and equipment	11.4	2.8	2.8	0.6
Clothing and footwear	5.2	0.3	0.4	(2.4)
Transportation	19.5	(3.9)	(4.9)	0.8
Gasoline	4.5	(17.1)	(19.9)	8.9
Health and personal care	4.5	4.8	4.5	2.2
Recreation, education and reading	12.9	1.1	1.0	0.2
Alcoholic beverages and tobacco products	3.3	3.8	3.7	3.0
Alberta: All-items	100	(0.1)	(0.1)	3.0
Alberta: All-items excluding food and energy	75.2	1.4	1.4	1.9
Canada: All-items	100	0.4	0.3	2.3
Canada: All-items excluding food and energy	73.6	1.1	1.8	1.2

Source: Statistics Canada, Corporate Economics, February 2010
* 2005 CPI basket weights at April 2007 prices, Alberta and Canada, effective May 2007

Major Contributors to Calgary's Inflation Rates (12-Month-Moving-Average)



Source: Statistics Canada, Corporate Economics, February 2010

Calgary's Monthly Inflation Review: January 2010

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:

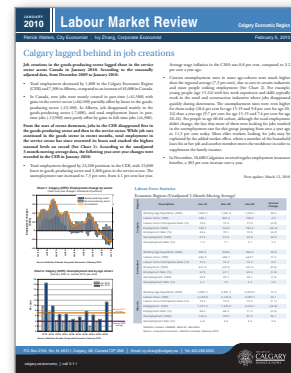
Wendy Fan
403.268.8690 or wenhui.fan@calgary.ca

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

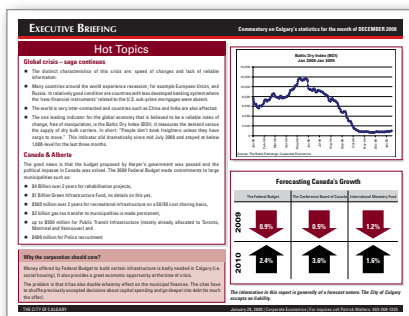
Monthly
Energy Markets and
the Economy



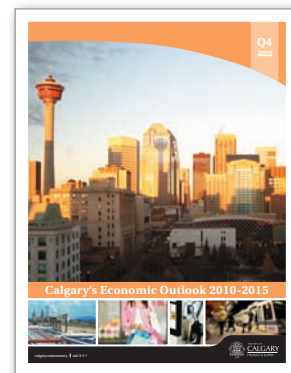
Monthly
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Commentary
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Quarterly
Calgary's Quarterly Economic
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Corporate Research Analyst: Estella Chan

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Source: Statistics Canada