

## Inflation Continued Moving Upward with Economic Recovery in March 2010

### Inflationary pressures lower than national level in Alberta and Calgary

Canadian headline CPI rose 1.4 per cent in March 2010 compared to a year ago. The year-over-year increases of consumer prices in Alberta and Calgary were 1.0 per cent and 0.8 per cent respectively. The economic recovery in Canada is proceeding more rapidly than earlier expected, which put upward pressure on the CPI. Inflation is lower in Alberta and Calgary than the national level, which reflects the combined influences of less pressure from energy products prices, slower wage growth, and overall excess supply.

### Inflation and monetary policy changes

In the first quarter of 2010, both headline and core inflation rates were slightly higher than projected earlier this year, although they moderated somewhat in March. Consumer prices have been trending upward supported by strong domestic demand. The fact that both economic growth and inflation have overshot estimates, it increases the chance for the Bank of Canada (BoC) to tighten its monetary policy in the second half of 2010. However, a strong Canadian dollar could exert downward pressure on inflation. The extent and timing of withdrawal

of monetary stimulus will depend on the outlook for economic activity and inflation. It is expected that the rise in the interest rate will be gradual from its current unconventional low level to the normal range before the economy returns to its full capacity in 2011.

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

**Shelter:** In March 2010, shelter costs decreased by 3.5 per cent, which offset 0.97 per cent of Calgary's overall inflation. Low mortgage interest rates and natural gas prices were the major causes on reducing shelter costs.

**Food:** The 12-month-moving-average prices for food increased by 3.1 per cent. The contribution of food prices to the Calgary's overall inflation was 0.48 per cent in March. Food price inflation has continued to moderate for 10 straight months since July 2009 in Calgary.

**Transportation:** Prices in transportation decreased by 2.7 per cent in March 2010, which offset 0.53 per cent of the 12-month-moving-average overall inflation in Calgary.

Next release: May 21, 2010

### Inflation Rates

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

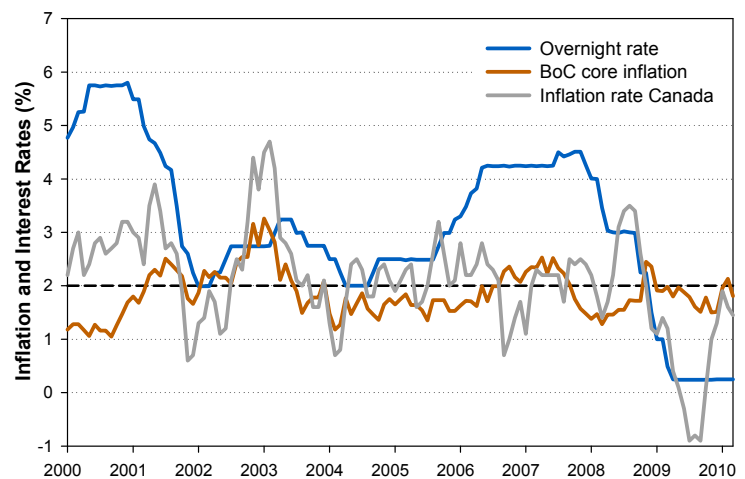
	Relative Importance (%)*	Mar-10	Feb-10	Mar-09
Calgary: All-items	100	(0.2)	(0.2)	2.9
Calgary: All-items excluding food and energy	75.2	1.7	1.6	1.8
Food	15.5	3.1	3.7	5.1
Shelter	27.7	(3.5)	(3.3)	6.3
Owned accommodation	17.9	(0.5)	(0.3)	5.3
Water, fuel and electricity	5.6	(19.7)	(19.9)	12.3
Household operations, furnishing and equipment	11.4	2.3	2.5	1.0
Clothing and footwear	5.2	(0.1)	0.0	(1.9)
Transportation	19.5	(2.7)	(3.4)	(0.2)
Gasoline	4.5	(13.0)	(15.3)	2.8
Health and personal care	4.5	5.5	5.2	2.3
Recreation, education and reading	12.9	1.7	1.5	0.1
Alcoholic beverages and tobacco products	3.3	4.2	4.0	2.2
Alberta: All-items	100	(0.2)	(0.2)	2.7
Alberta: All-items excluding food and energy	75.2	1.3	1.3	1.7
Canada: All-items	100	0.4	0.4	2.2
Canada: All-items excluding food and energy	73.6	1.1	1.1	1.2

Source: Statistics Canada, Corporate Economics, April 2010

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

Figures in red and parentheses indicate negative.

Inflation and Interest Rates



Source: Statistics Canada, Bank of Canada, Corporate Economics, April 2010

## Calgary's Monthly Inflation Review: March 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:

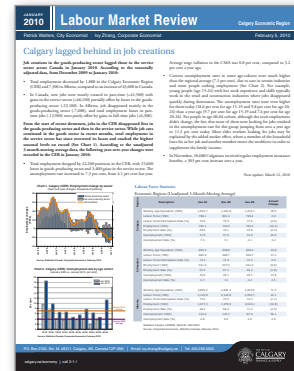
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Many of our publications are available on the internet at [www.calgary.ca/economy](http://www.calgary.ca/economy).

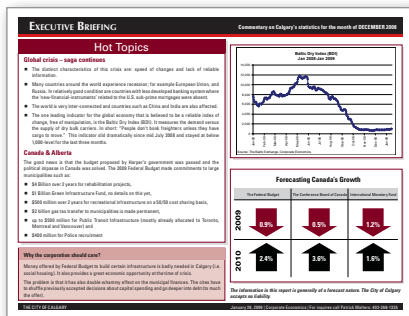
Monthly  
Energy Markets and  
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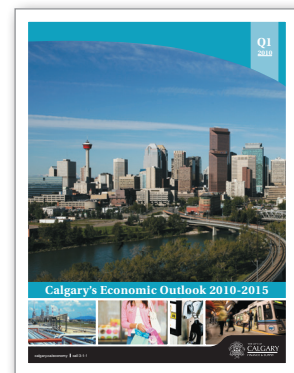
Monthly  
Review of Economic Trends



Commentary  
Executive Briefing



Quarterly  
Calgary's Quarterly Economic  
Outlook



Corporate Research Analyst: Estella Chan

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Source: Statistics Canada, Bank of Canada