

Consumer Price Index Moderate in Calgary in July 2010

Higher inflation rate in Canada boosted by the HST

After the slowdown in May and June, Canadian headline inflation trended up by 1.8 per cent in July compared to a year ago. The major driver was the introduction of the harmonized sales tax (HST) in Ontario and British Columbia, and a two per cent increase in Nova Scotia's HST. The year-over-year increases of consumer prices in Alberta and Calgary were 1.5 and 1.4 per cent respectively in July 2010, which were barely affected by the tax changes in other provinces and thus milder than the national rate.

Close correlation between oil price and inflation in Calgary

Consumer prices in Calgary and Canada are closely correlated with the crude oil price, as is shown in the graph below. The changes in crude oil West Texas Intermediate (WTI) price are passed through to the changes in inflation rates in Calgary after one to three months. The historical data indicates that oil price was mainly responsible for the spike in the CPI in 2008 and the moderation after that. The WTI price began increasing toward the end of 2009 as global demand strengthened, with the trend

set to continue in 2010. However, crude oil price fell in May and stayed around US\$75/bbl since then. Cooling of house prices, normalization of monetary and fiscal policies, and reduced crude oil prices should combine to moderate the pace of inflation in the near term.

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

Shelter: The 1.9 per cent decrease in shelter costs lowered Calgary's overall inflation by 0.53 per cent in July 2010. Shelter costs for owned accommodation dropped by 0.6 per cent at the 12-month-moving-average level.

Food: The 12-month-moving-average prices for food increased by 1.4 per cent, which contributed 0.22 per cent to Calgary's overall inflation in July.

Transportation: Transportation prices increased by 0.6 per cent in July 2010, which contributed 0.12 per cent from the overall inflation in Calgary. The transportation component turned positive for the first time since March 2009.

Next release: September 21, 2010

Inflation Rates

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

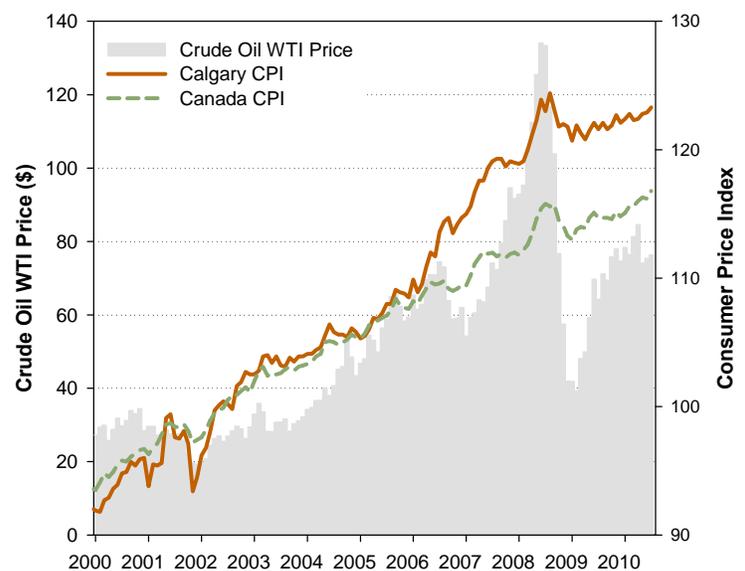
	Relative Importance (%)*	Jul-10 (%)	Jun-10 (%)	Jul-09 (%)
Calgary: All-items	100	0.4	0.2	1.3
Calgary: All-items excluding food and energy	75.2	0.8	0.7	1.9
Food	15.5	1.4	1.7	6.5
Shelter	27.7	(1.9)	(2.4)	1.7
Owned accommodation	17.9	(0.6)	(0.6)	3.0
Water, fuel and electricity	5.6	(9.5)	(12.6)	(5.2)
Household operations, furnishing and equipment	11.4	1.3	1.6	2.0
Clothing and footwear	5.2	0.2	(0.1)	(0.9)
Transportation	19.5	0.6	(0.2)	(3.5)
Gasoline	4.5	(1.7)	(4.9)	(13.9)
Health and personal care	4.5	6.3	6.1	2.8
Recreation, education and reading	12.9	1.7	1.7	0.1
Alcoholic beverages and tobacco products	3.3	2.5	3.1	3.0
Alberta: All-items	100	0.6	0.3	1.1
Alberta: All-items excluding food and energy	75.2	1.1	1.1	1.5
Canada: All-items	100	1.0	0.7	1.3
Canada: All-items excluding food and energy	73.6	1.0	1.0	1.2

Source: Statistics Canada, Corporate Economics, August 2010

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

Figures in red and parentheses indicate negative.

CPI and Crude Oil WTI Price: 2000-2010



Sources: Statistics Canada & Corporate Economics, August 2010

Calgary's Monthly Inflation Review: July 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:

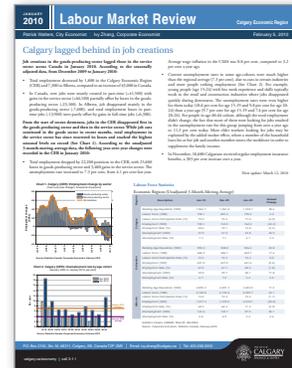
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Many of our publications are available on the internet at www.calgary.ca/economy.

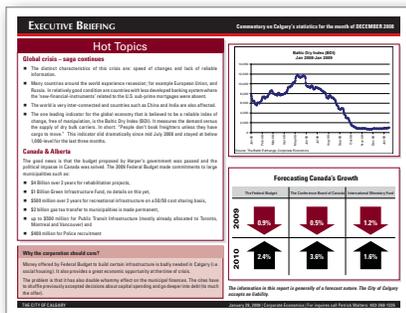
Monthly
Energy Markets and
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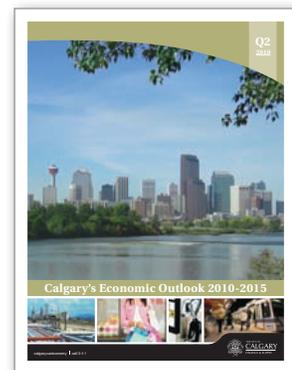
Monthly
Review of Economic Trends



Commentary
Executive Briefing



Quarterly
Calgary's Quarterly Economic
Outlook



Corporate Research Analyst: Estella Scruggs

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Source: Statistics Canada, GLJ Energy Publications