

Zero Inflation in Calgary Year-over-year in November 2010

Calgary saw the lowest consumer price changes of this year in November

The headline CPI in Canada increased by 2.0 per cent on an annual basis in November 2010. The increases of consumer prices in Alberta and Calgary were 0.1 and 0.0 per cent respectively in November compared to the same time last year. Much of the decline in the rate of growth in consumer prices in Calgary can be attributed to natural gas, electricity, and gasoline.

Canadian and U.S. monetary policies and core inflation

The US Fed's decision to embark on the second round of Quantitative Easing (QE2) and the accompanying weakening in the U.S. dollar triggered a powerful rally in commodity and food prices, which would keep the Canadian headline CPI elevated in the last quarter in 2010. However, the impact should be limited on core inflation, as it excludes volatile components and indirect taxes. After three consecutive increases in the bank rate since July, the Bank of Canada (BoC) is poised to stay on hold until the middle of 2011. The widening difference in the interest rates between Canada and the U.S. implies a more gradual approach to

monetary tightening by the BoC. Excess capacity and sluggish domestic demand should keep inflationary pressures in check, which would keep the core inflation rate below the BoC's 2 per cent target and remove the need for significant tightening.

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

Shelter: In November 2010, shelter costs declined by 0.4 per cent, which lowered Calgary's overall inflation by 0.11 per cent. The costs on water, fuel and electricity decreased by 0.5 per cent, in addition to the weaker housing prices and lower mortgage costs.

Food: The 12-month-moving-average price for food advanced 1.1 per cent in November, which contributed 0.17 per cent to Calgary's overall inflation.

Transportation: Transportation prices increased 2.8 per cent in November 2010, which contributed 0.55 per cent to the overall inflation in Calgary. Higher prices for gasoline were the major driver in lifting transportation costs.

Next release: January 25, 2011

Inflation Rates

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

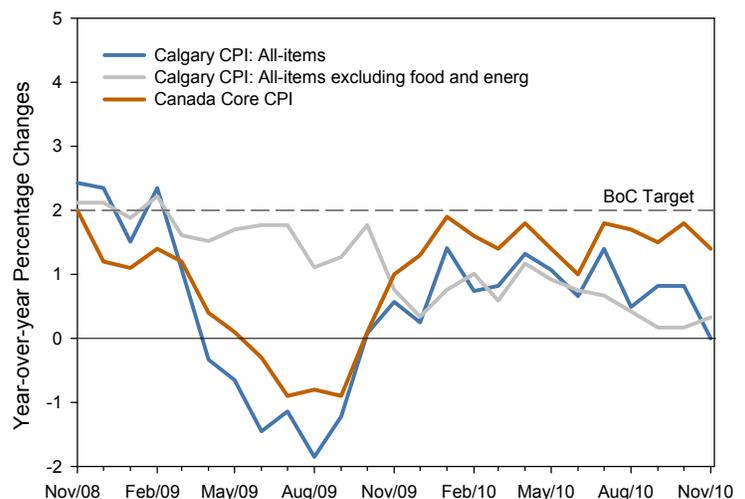
	Relative Importance (%)*	Nov-10 (%)	Oct-10 (%)	Nov-09 (%)
Calgary: All-items	100	0.8	0.9	0.1
Calgary: All-items excluding food and energy	75.2	0.7	0.8	(3.9)
Food	15.5	1.1	1.1	5.4
Shelter	27.7	(0.4)	(0.6)	(1.7)
Owned accommodation	17.9	(0.2)	(0.4)	1.0
Water, fuel and electricity	5.6	(0.5)	(1.1)	(16.2)
Household operations, furnishing and equipment	11.4	0.1	0.4	2.7
Clothing and footwear	5.2	(1.1)	(0.5)	0.1
Transportation	19.5	2.8	2.6	(5.5)
Gasoline	4.5	5.6	6.2	(22.6)
Health and personal care	4.5	5.2	5.7	4.1
Recreation, education and reading	12.9	0.9	1.2	0.8
Alcoholic beverages and tobacco products	3.3	1.2	1.4	3.6
Alberta: All-items	100	1.0	1.0	(0.0)
Alberta: All-items excluding food and energy	75.2	0.8	0.8	1.5
Canada: All-items	100	1.7	1.6	0.3
Canada: All-items excluding food and energy	73.6	1.2	1.2	1.2

Source: Statistics Canada, Corporate Economics, December 2010

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

Figures in red and parentheses indicate negative.

Consumer Prices: Year-over-year Changes



Sources: Statistics Canada, Corporate Economics, December 2010

Calgary's Monthly Inflation Review: November 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:

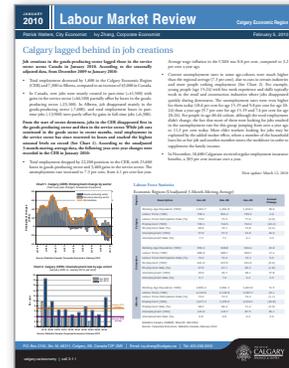
Wendy Fan
403.268.8690 or wenhui.fan@calgary.ca

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

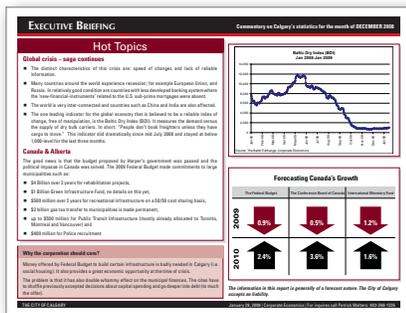
Monthly
Energy Markets and
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Monthly
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Commentary
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Quarterly
Calgary's Quarterly Economic
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Corporate Research Analyst: Estella Scruggs

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Sources: Statistics Canada, Bank of Canada.

