

Inflation Review

Patrick Walters, City Economist | Wendy Fan, Corporate Economist

March 18, 2011



Upward Trend of Consumer Prices Continued in February 2011

Calgary's consumers about to feel pinch on food and fuel costs

Canada's headline CPI increased by 2.2 per cent in February 2011 compared to a year ago. Consumer price indexes climbed 1.2 per cent in Alberta, and 1.1 per cent in Calgary on annual basis. Headline inflation continues in line with January's pattern as food and transportation components lift the monthly price level. Year-over-year, the Bank of Canada's core inflation rate advanced by 0.9 per cent in February 2011, down from 1.4 per cent in the previous month.

Headline CPI continues to rise while core inflation stays put

In the global market, strong demand and sluggish supply with unexpected shocks caused considerable price increases in energy products and other commodities in 2010. The upward pressure on prices is expected to persist in 2011, despite the massive disruption in the Japanese economy caused by the earthquake. High food and oil costs are beginning to feed into overall price inflation, which will continue to push headline CPI in Canada above 2 per cent in the first half of 2011. However, thanks to the deflationary effect of

the strengthening Canadian dollar and the excess capacity in the economy, a small amount of inflation will be passed through from higher commodity prices to the core inflation in Canada. The pace of job creation in February was weaker than expected, and the most recent trade data also turns to be soft, which will help to maintain the core inflation muted at least in the next couple of months.

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

Shelter: Shelter costs advanced 0.4 per cent in February 2011, and this contributed 0.11 per cent to Calgary's overall inflation. Consumers in Calgary paid 2.2 per cent more on water, fuel and electricity in February.

Food: The 12-month-moving-average prices for food advanced 1.2 per cent in February, which contributed 0.19 per cent to Calgary's overall inflation.

Transportation: Transportation prices rose 2.5 per cent, which added 0.49 per cent to the overall inflation in Calgary. Gasoline price climbed 4.8 per cent in February.

Next release: April 19, 2011

Inflation Rates

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

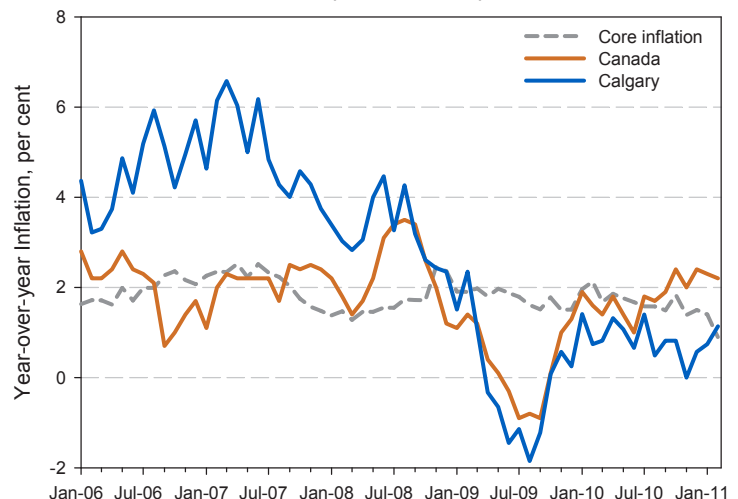
	Relative Importance (%)*	Feb-11 (%)	Jan-11 (%)	Feb-10 (%)
Calgary: All-items	100	0.8	0.8	(0.2)
Calgary: All-items excluding food and energy	75.2	0.5	0.6	1.6
Food	15.5	1.2	1.2	3.7
Shelter	27.7	0.4	0.1	(3.3)
Owned accommodation	17.9	0.5	0.3	(0.3)
Water, fuel and electricity	5.6	2.2	0.6	(19.9)
Household operations, furnishing and equipment	11.4	(0.0)	(0.2)	2.5
Clothing and footwear	5.2	(1.7)	(1.7)	0.0
Transportation	19.5	2.5	2.5	(3.4)
Gasoline	4.5	4.8	4.2	(15.3)
Health and personal care	4.5	4.0	4.3	5.2
Recreation, education and reading	12.9	(0.1)	0.5	1.5
Alcoholic beverages and tobacco products	3.3	0.5	0.8	4.0
Alberta: All-items	100	1.0	0.9	(0.2)
Alberta: All-items excluding food and energy	75.2	0.6	0.7	1.3
Canada: All-items	100	1.9	1.8	0.4
Canada: All-items excluding food and energy	73.6	1.3	1.3	1.1

Source: Statistics Canada, Corporate Economics, March 2011

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

Figures in red and parentheses indicate negative.

Year-over-year Headline and Core Inflation in Canada (January 2006 - February 2011)



Source: Statistics Canada & Corporate Economics, March 2011.

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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.

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

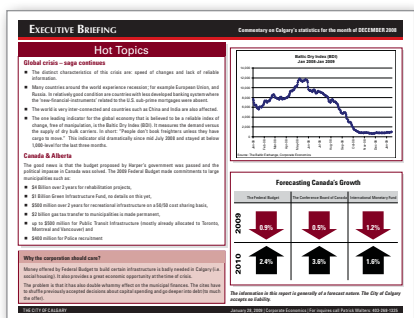
Monthly
Energy Markets and
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Monthly
Review of Economic Trends



Commentary
Executive Briefing



Quarterly
Calgary & Region Economic
Outlook 2010-2015



Corporate Research Analyst: Estella Scruggs

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Sources: Statistics Canada, Bank of Canada and Corporate Economics.

