

Inflation Review

Patrick Walters, City Economist | Wendy Fan, Corporate Economist

April 19, 2011



Calgary CPI Increasing Driven by Higher Food and Fuel Costs in March 2011

Consumer prices moving up with core inflation mild

Canada's headline CPI advanced 3.3 per cent in March 2011 on an annual basis, the largest year-over-year increase since September 2008. Consumer prices increased by 2.0 per cent in Alberta and 1.6 per cent in Calgary respectively compared to a year ago. Higher energy prices was the major contributor. Consumers paid more for food and gas, but outside of those volatile categories inflation remained tame last month.

Gas spike feeds Calgarians' inflation pain in March

Calgary's CPI is closely correlated with the WTI crude oil price, as is shown in the graph below. The unrest in Middle East and North Africa (MENA) in recent weeks caused a huge spike in oil prices. In March, gasoline prices increased by 8.2 per cent over the previous month and 21 per cent year-over-year in Calgary, which is being passed through to local consumer prices within one to three months. Prices will continue to increase if global commodity price pressures persist. However, these upward pressures will somewhat be eased by a strong Canadian dollar. The stubbornly

strong exchange rate will continue to keep price increases muted in the near term. So even though global inflationary pressures are escalating, domestic inflation is consistent with the Bank of Canada's expectations, of low inflation given the significant slack in the economy.

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

Shelter: Consumers in Calgary paid 0.6 per cent more on shelter in March 2011 due to the increase in the costs on water, fuel and electricity. This contributed 0.17 per cent to Calgary's overall inflation.

Food: Food prices advanced 1.3 per cent at the 12-month-moving-average level in March, which contributed 0.20 per cent to Calgary's overall inflation.

Transportation: Transportation costs rose 2.7 per cent in March, which added 0.53 per cent to the overall inflation in Calgary. The 12-month-moving-average gasoline price increased by 5.7 per cent, which was the major driver in lifting transportation costs.

Next release: May 20, 2011

Inflation Rates

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

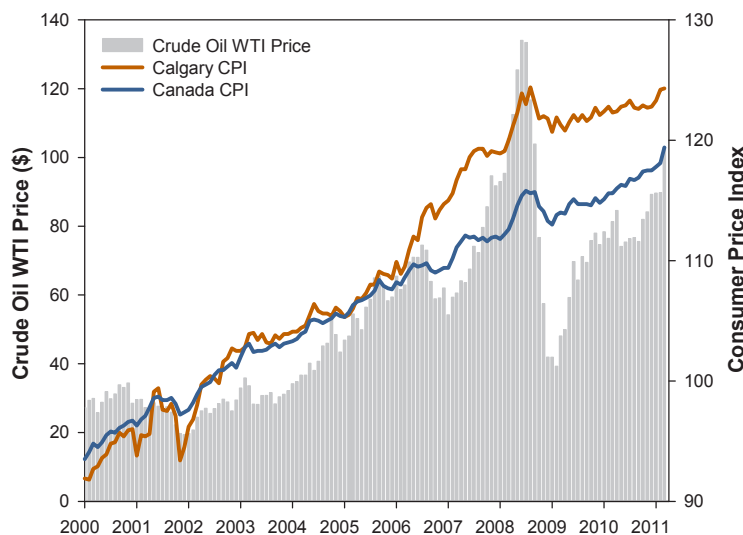
	Relative Importance (%)*	Mar-11 (%)	Feb-11 (%)	Mar-10 (%)
Calgary: All-items	100	0.9	0.8	(0.2)
Calgary: All-items excluding food and energy	75.2	0.6	0.5	1.6
Food	15.5	1.3	1.2	3.7
Shelter	27.7	0.6	0.4	(3.3)
Owned accommodation	17.9	0.7	0.5	(0.3)
Water, fuel and electricity	5.6	2.6	2.2	(19.9)
Household operations, furnishing and equipment	11.4	0.2	(0.0)	2.5
Clothing and footwear	5.2	(1.7)	(1.7)	0.0
Transportation	19.5	2.7	2.5	(3.4)
Gasoline	4.5	5.7	4.8	(15.3)
Health and personal care	4.5	3.7	4.0	5.2
Recreation, education and reading	12.9	(0.3)	(0.1)	1.5
Alcoholic beverages and tobacco products	3.3	0.2	0.5	4.0
Alberta: All-items	100	1.0	1.0	(0.2)
Alberta: All-items excluding food and energy	75.2	0.7	0.6	1.3
Canada: All-items	100	2.0	1.9	0.4
Canada: All-items excluding food and energy	73.6	1.4	1.3	1.1

Source: Statistics Canada, Corporate Economics, April 2011

* 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: 2000-2011



Source: Statistics Canada & Corporate Economics, April 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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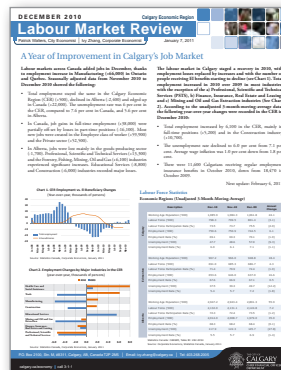
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Many of our publications are available on the internet at www.calgary.ca/economy.

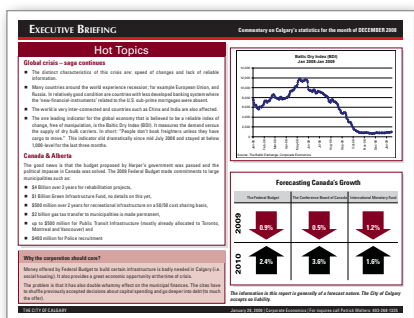
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Energy Markets and
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Monthly
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Corporate Research Analyst: Estella Scruggs

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

