

Inflation Review

Clyde Pawluk, Sr. Corporate Economist | Wendy Fan, Corporate Economist | May 20, 2011



Commodity Related Inflation Spike Continued in April 2011

Price pressures building all over the country and in Calgary

The headline inflation of Canada advanced 3.3 per cent in April 2011 on annual basis, matching the increase recorded in March. Consumer prices increased by 3.0 per cent in Alberta and 2.6 per cent in Calgary compared to a year ago. The faster increase in Calgary was primarily the results of higher gasoline prices, more expensive groceries, and the increase in electricity prices in April.

Higher pump gasoline prices and grocery costs persisted in April

In April 2011, the average WTI crude oil price was over US\$110 per barrel, the highest since September 2008. OPEC believes that fear premiums could explain about 20% of current oil prices. With the ease in geopolitical risk in Middle East and North Africa (MENA), and OPEC's consideration of raising oil extraction quota levels, crude oil market might see a bearish trend in the short term. On May 5, the price of WTI crude oil dropped by over US\$11 a barrel to US\$102, and has stayed around US\$100 for the past two weeks. However, pump prices are stubbornly high all over North America. Last month the average pump price in Calgary was 117 c/L in Calgary, which is considered to be relatively low compared to the national average of 129c/L. The

high pump prices are largely caused by speculation. In addition, world food prices rose to near a record in April as grain costs advanced, adding pressure to inflation that has been passed on to consumers in Calgary. However, the Bank of Canada's (BoC) core inflation is at 1.6 per cent, well below the 2 per cent target, indicating The Bank will not soon raise interest rates.

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

Transportation: Transportation costs advanced 2.8 per cent in April, which added 0.55 per cent to the overall inflation in Calgary. Consumers paid more not only for gasoline, but also for passenger vehicle insurance premiums.

Shelter: Consumers in Calgary paid 1.1 per cent more on shelter in April 2011, the largest increase since July 2009. This was due to the spike in the costs on water, fuel and electricity by 5.4 per cent in April. Shelter costs contributed 0.31 per cent to the overall inflation in Calgary.

Food: Food prices rose 1.3 per cent at the 12-month-moving-average level in April, which contributed 0.2 per cent to Calgary's overall inflation.

Next release: June 22, 2011

Inflation Rates

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

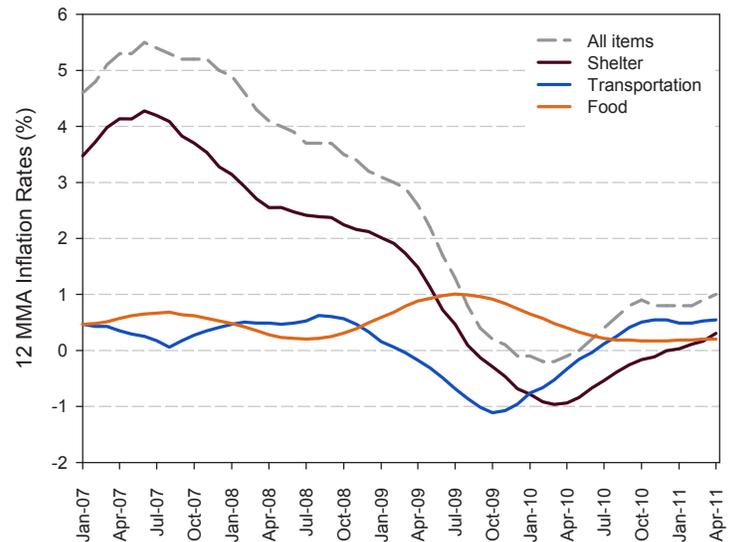
	Relative Importance (%)*	Apr-11 (%)	Mar-11 (%)	Apr-10 (%)
Calgary: All-items	100	1.0	0.9	(0.1)
Calgary: All-items excluding food and energy	75.2	0.5	0.6	1.3
Food	15.5	1.3	1.3	2.6
Shelter	27.7	1.1	0.6	(3.4)
Owned accommodation	17.9	0.8	0.7	(0.6)
Water, fuel and electricity	5.6	5.4	2.6	(18.7)
Household operations, furnishing and equipment	11.4	0.2	0.2	2.1
Clothing and footwear	5.2	(2.1)	(1.7)	(0.0)
Transportation	19.5	2.8	2.7	(1.7)
Gasoline	4.5	6.9	5.7	(10.0)
Health and personal care	4.5	3.3	3.7	5.8
Recreation, education and reading	12.9	(0.5)	(0.3)	1.8
Alcoholic beverages and tobacco products	3.3	(0.1)	0.2	4.4
Alberta: All-items	100	1.2	1.0	0.0
Alberta: All-items excluding food and energy	75.2	0.6	0.7	1.3
Canada: All-items	100	2.1	2.0	0.5
Canada: All-items excluding food and energy	73.6	1.4	1.4	1.1

Source: Statistics Canada, Corporate Economics, May 2011

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

Figures in red and parentheses indicate negative.

Major Contributors to Calgary's Inflation
(12 Month-Moving-Average): January 2007 - April 2011



Source: Statistics Canada & Corporate Economics, May 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.

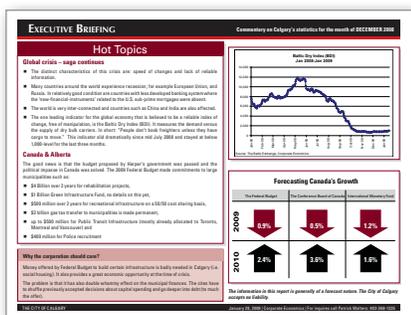
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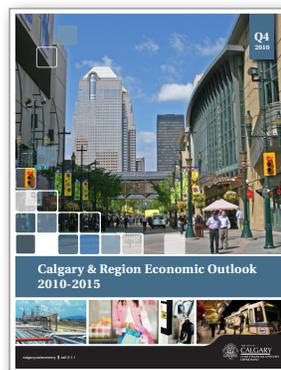
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Corporate Research Analyst: Estella Scruggs

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

