

Inflation Review

Patrick Walters, City Economist | Estella Scruggs, Corporate Research Analyst

January 25, 2013

Calgary's Inflation Still Below National Average in December 2012

Inflation still lower than national level in Alberta and Calgary

Calgary's headline inflation decreased by 0.2 per cent in December 2012 compared to a year ago. Over the same period, consumer prices remained unchanged in Alberta but rose 0.8 per cent in Canada. Inflation rates continued to be lower than the national level in Alberta and Calgary, largely due to lower shelter and energy costs (particularly for electricity), and weaker gains in food, transportation, and clothing and footwear prices.

For the year 2012 as a whole, inflation averaged 1.0 per cent in Calgary, 1.1 per cent in Alberta, and 1.5 per cent in Canada. Total inflation subsided significantly in 2012 compared to 2011, reporting 2.2 per cent in Calgary, 2.4 per cent in Alberta, and 2.9 per cent in 2011.

Consumer prices expected to rise gradually in 2013

On January 23rd, the Bank of Canada (BoC) decided to keep its key overnight rate at 1 per cent. The BoC expects Canada's inflation rate to remain around 1 per cent before rising gradually to 2 per cent in the second half of 2014. While commodity prices, especially energy prices are anticipated to stay soft, rising costs

of food and shelter might affect Calgarians. In 2012, the U.S. experienced its worst drought in more than 50 years which means higher food prices for some major food items this year. Also, house sales in Calgary along with house prices are expected to rise in 2013. These factors will likely push up accommodation costs and the overall inflation in Calgary in 2013.

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

Food: The 12-month-moving-average prices for food advanced 2.0 per cent in December 2012, which contributed 0.31 per cent to Calgary's overall inflation. The increase in food price slowed down in 2012 compared to the previous year.

Shelter: In December 2012, shelter costs increased modestly by 0.1 per cent, which added 0.02 per cent to overall inflation in Calgary. However, consumers in Calgary paid 4.6 per cent less on water, fuel and electricity in December.

Transportation: Transportation prices increased 1.7 per cent in December 2012, which contributed 0.37 per cent to the overall inflation in Calgary. Retail gasoline price at the pump climbed 1.5 per cent in December for the 12-month-moving-average.

Next release: February 22, 2013

Inflation Rates

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

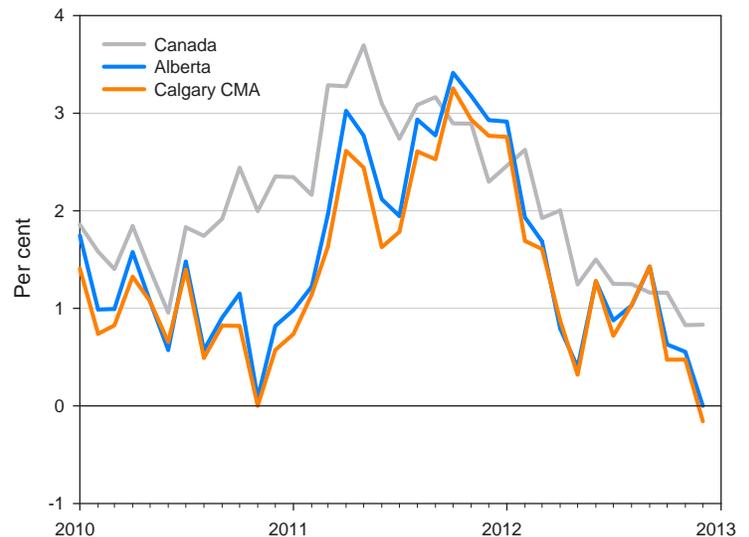
	Relative Importance (%)*	Dec-12 (%)	Nov-12 (%)	Dec-11 (%)
Calgary: All-items	100	1.0	1.3	2.2
Calgary: All-items excluding food and energy	75.2	1.2	1.3	0.7
Food	15.5	2.0	2.3	3.1
Shelter	27.7	0.1	0.7	2.3
Owned accommodation	17.9	1.1	1.1	0.7
Water, fuel and electricity	5.6	(4.6)	(0.8)	13.6
Household operations, furnishing and equipment	11.4	1.6	1.6	1.3
Clothing and footwear	5.2	(0.6)	(0.7)	(2.2)
Transportation	19.5	1.7	2.0	4.9
Gasoline	4.5	1.5	1.7	19.0
Health and personal care	4.5	2.4	2.7	2.7
Recreation, education and reading	12.9	0.2	0.1	(0.2)
Alcoholic beverages and tobacco products	3.3	2.2	2.2	1.0
Alberta: All-items	100	1.1	1.4	2.4
Alberta: All-items excluding food and energy	75.2	1.3	1.4	0.8
Canada: All-items	100	1.5	1.6	2.9
Canada: All-items excluding food and energy	73.6	1.3	1.3	1.6

Source: Statistics Canada, Corporate Economics, January 2013

*2009 CPI basket weights at April 2011 prices, Alberta and Canada, date modified December 2011

Figures in red and parentheses indicate negative.

Inflation rates (all-items) comparison
(year-over-year change, January 2010 - December 2012, per cent)



Source: Statistics Canada, Corporate Economics, January 2013



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Who We Are

Corporate Economics provides services in four areas: forecasting, information provision, policy analysis and consulting. We also monitor the current economic trends which allows us to develop unique insights on how external events are impacting the local economy and the Municipal government. We are experienced at researching different economic topics and developed reliable methods of forecasting and analysis.

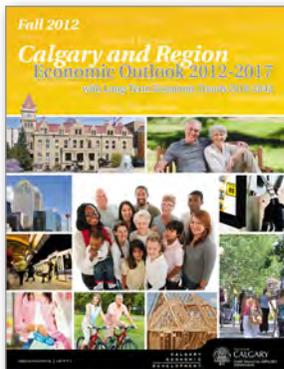
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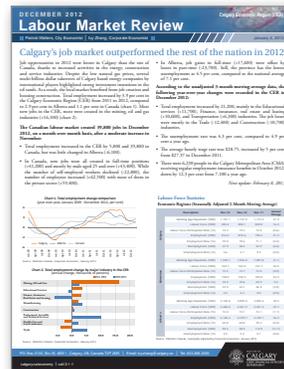
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Forecasting



- ▶ Calgary & Region Economic Outlook
- ▶ Energy Reports on Natural Gas and Crude Oil

Information Provision



- ▶ Labour Market Review
- ▶ Inflation Review
- ▶ Current Economic Analysis
- ▶ Construction Inflation

Policy Analysis



- ▶ A Case of Fiscal Imbalance: The Calgary Experience
- ▶ Diesel Fuel Price Pass-Through in Calgary
- ▶ Calgary Residential and Commercial Real Estate Markets

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Sources: Bank of Canada, Statistics Canada, Calgary Real Estate Board, Corporate Economics.

