

Inflation Review

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June 20, 2014

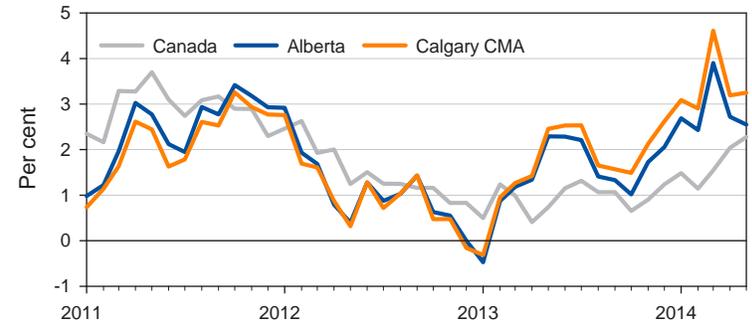
Calgary's headline inflation rate remains elevated

In May, consumer prices in the Calgary census metropolitan area increased by 3.2 per cent year-over-year, after rising 3.2 per cent in April. Headline inflation slowed to 2.5 per cent in Alberta but accelerated to 2.3 per cent in Canada (Chart 1). Upward movement was observed in most items in Calgary. Most notably, food was 3.1 per cent more expensive than last year, as grocery costs were up 3.3 per cent and restaurant bills up 2.7 per cent. Shelter costs jumped 6.2 per cent in May compared to same time last year. Rented accommodation costs advanced 3.0 per cent and owned accommodation 6.1 per cent. Calgaryans paid 3.3 per cent more for transportation, as gasoline prices climbed 3.9 per cent following last month's 10.4 per cent price spike.

Increases in prices for meat and produce will continue into the summer months and beyond

Calgary's inflation rate was boosted by higher food prices, namely for meat and produce. Many Calgaryans are noticing higher prices for some of their favourite meats, as they are well into the summer barbecue season. Prices for beef have risen 9.9 per cent since May 2013, compared to 8.0 per cent in April. Pork prices surged, up 21.1 per cent in the past 12 months. Prices for processed meat such as ham, bacon and hotdogs changed very little from April but they still leaped 9.4 per cent year-over-year. A deadly virus has been plaguing the pig population in Canada, killing nearly every

Chart 1. Headline inflation comparison
(year-over-year change, January 2011 - May 2014, per cent)



Source: Statistics Canada, Corporate Economics, June 2014

new born piglets for months. Thus, the amount of pork being produced is limited. This shortage has created higher demand for other meats like beef and chicken, which led to price increases for these products. The cost of fresh fruit and vegetables edged up 3.5 per cent and 6.7 per cent respectively as a result of the depreciation of the Canadian dollar and droughts in various areas.

Going forward...

The year-to-date headline inflation rate for the first five months of the year in Calgary came in at 3.4 per cent, which was particularly high when compared to last year's rate of 1.2 per cent. Energy was

one of the main contributors for the increase, driving up shelter and transportation costs. Prices for groceries, especially for produce and meat, are not dropping any time soon. As a cure for the pig virus has yet to be found, and the drop in the loonie combined with the drought effects are pushing up the costs for other food products. Apart from the highly volatile food and energy categories, Calgary's core inflation was 3.2 per cent in May and 2.9 per cent year-to-date. Overall, the inflation rate should trend downwards in the coming months.

Next release: July 18, 2014

Inflation Rates

	Relative Importance (%)*	Year-over-year			Year-to-date		
		May-14 (%)	Apr-14 (%)	May-13 (%)	May-14 (%)	Apr-14 (%)	May-13 (%)
Calgary: All-items	100.00	3.2	3.2	2.5	3.4	3.4	1.2
Calgary: All-items excluding food and energy	76.49	3.2	3.0	1.3	2.9	2.8	1.2
Food	15.99	3.1	2.7	3.1	2.9	2.9	2.4
Shelter	26.56	6.2	5.1	5.9	6.7	6.8	2.0
Rented accommodation	5.40	3.0	3.1	3.6	3.2	3.3	2.9
Owned accommodation	16.24	6.1	6.0	2.4	5.6	5.5	1.7
Water, fuel and electricity	4.84	11.4	4.7	25.1	16.1	17.3	2.1
Household operations, furnishing and equipment	12.27	2.7	2.4	2.3	2.4	2.4	2.0
Clothing and footwear	5.88	1.3	1.7	(0.0)	1.2	1.1	(0.4)
Transportation	20.44	3.3	4.7	0.2	3.7	3.8	(0.5)
Gasoline	3.81	3.9	10.4	1.8	6.2	6.8	(1.9)
Health and personal care	4.65	1.9	0.8	(0.3)	0.9	0.6	0.2
Recreation, education and reading	11.37	2.6	2.3	0.5	2.5	2.5	0.6
Alcoholic beverages and tobacco products	2.83	4.1	4.1	1.4	3.4	3.2	1.4
Alberta: All-items	100.00	2.5	2.7	2.3	2.9	2.9	1.0
Alberta: All-items excluding food and energy	76.49	2.5	2.6	1.1	2.3	2.3	1.1
Canada: All-items	100.00	2.3	2.0	0.7	1.7	1.6	0.8
Canada: All-items excluding food and energy	74.85	1.5	1.4	0.5	1.3	1.2	0.7

Source: Statistics Canada, Corporate Economics, June 2014

* 2011 CPI basket weights at January 2013 prices, date modified March 27, 2013

Figures in red and parentheses indicate negative.



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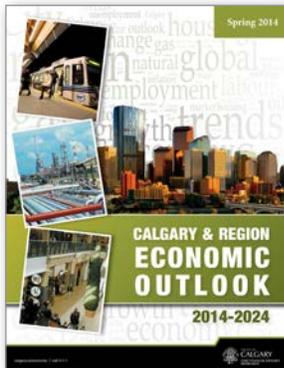
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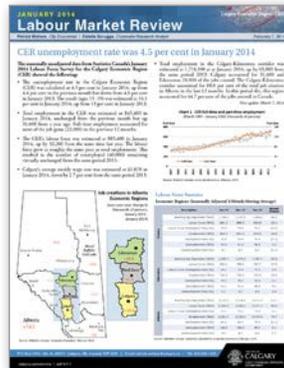
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Sources: Statistics Canada, Corporate Economics.