

# Inflation Review

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November 18, 2016

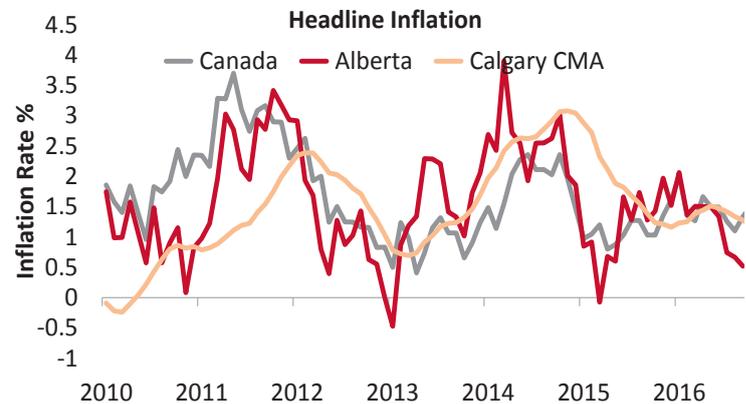
## Calgary's headline inflation rate in downward trend

The inflation rate in the Calgary metropolitan area (CMA) is slowly dropping. From 1.5 per cent year-over-year in May inflation has softened every month and now sits at 1.2 per cent as of October 2016. Shelter prices are responsible for the decline. In May 2015 shelter prices in Calgary were increasing at a rate of 2.9 per cent year-over-year but prices are now sitting at -0.7 per cent as rents continue to decline while house prices continue to retain value. Also declining are fuel and electricity prices which have been averaging a decline of 5 per cent year-over-year consistently for the past several months. Not including food and energy inflation in Calgary is rising slightly to 1.4 per cent, notably as a result of continued, but soft, increases in house prices, household operation costs and health care.

In Alberta, consumer prices remained stable at 0.5 per cent year-over-year while nationally the inflation rate was slightly higher at 1.4 per cent. The Bank of Canada has updated its methodology to a new core inflation index, which will hopefully better represent the average inflation in Canada net of the most volatile prices in the economy. The new index records October inflation at 1.5 per cent, down considerably from the 1.97 per cent recorded by the old index in September. The new index indicates the Bank will be reluctant to raise rates any time soon, and recent political events help.

With the election of President Trump the financial markets have responded by selling bonds and buying stocks. The result is that mortgage rates in both the US and Canada have started to creep

**Headline inflation comparison**  
(Year-over-year change, January 2010 - October 2016, per cent)



Source: Statistics Canada, Corporate Economics

upwards. The U.S. Federal reserve is now expected to follow suit and raise the U.S. prime lending rate next month. If Canada does not raise interest rates when the U.S. does the value of the Canadian dollar will drop below the current value of 74.5 cents. This would help the Canadian export and manufacturing industries, including the Canadian oil industry which operates in U.S. dollars.

Next release on December 22, 2016

## Inflation Rates

	Relative Importance (%)*	Year-over-year (12 MMA,%)			Month-over-month (12MMA, %)		
		Oct-16	Sep-16	Oct-15	Oct-16	Sep-16	Oct-15
<b>Calgary: All-items</b>	<b>100.00</b>	<b>1.19</b>	<b>1.28</b>	<b>1.23</b>	<b>0.44</b>	<b>(0.44)</b>	<b>0.44</b>
<b>Calgary: All-items excluding food and energy</b>	<b>76.49</b>	<b>1.44</b>	<b>1.29</b>	<b>2.47</b>	<b>0.52</b>	<b>0.23</b>	<b>0.38</b>
Food	15.99	(1.29)	(0.43)	4.00	(0.79)	(2.51)	0.07
Shelter	26.56	(0.73)	(0.49)	0.12	0.61	(0.55)	0.86
Rented accommodation	5.40	(2.24)	(2.24)	2.05	(0.16)	0.00	(0.15)
Owned accommodation	16.24	0.82	1.05	2.41	1.04	(0.05)	1.27
Water, fuel and electricity	4.84	(5.17)	(4.42)	(10.53)	(0.30)	(3.31)	0.50
Household operations, furnishing and equipment	12.27	1.26	0.68	2.63	0.82	(0.90)	0.24
Clothing and footwear	5.88	0.54	(0.59)	1.53	1.73	5.24	0.59
Transportation	20.44	1.53	2.11	(0.47)	1.22	(0.45)	1.79
Gasoline	3.81	(7.05)	(8.33)	(11.00)	4.79	(2.30)	3.35
Health and personal care	4.65	1.46	1.31	2.27	0.15	(0.97)	(0.00)
Recreation, education and reading	11.37	0.74	(0.34)	2.19	(0.73)	0.27	(1.79)
Alcoholic beverages and tobacco products	2.83	5.06	5.20	6.08	0.13	0.25	0.27
<b>Alberta: All-items</b>	<b>100.00</b>	<b>0.52</b>	<b>0.52</b>	<b>1.43</b>	<b>0.37</b>	<b>(0.44)</b>	<b>0.37</b>
<b>Alberta: All-items excluding food and energy</b>	<b>76.49</b>	<b>1.51</b>	<b>1.37</b>	<b>2.40</b>	<b>0.45</b>	<b>0.23</b>	<b>0.30</b>
<b>Canada: All-items</b>	<b>100.00</b>	<b>1.49</b>	<b>1.34</b>	<b>1.03</b>	<b>0.23</b>	<b>0.08</b>	<b>0.08</b>
<b>Canada: All-items excluding food and energy</b>	<b>74.85</b>	<b>1.88</b>	<b>1.97</b>	<b>1.66</b>	<b>0.16</b>	<b>0.40</b>	<b>0.25</b>

Sources: Statistics Canada, Corporate Economics, November, 2016

\* 2013 CPI basket weights at January 2015 prices, date modified February 26, 2015

Figures in parentheses indicate negative.



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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 have developed reliable methods of forecasting and analysis.

For more information, please contact:

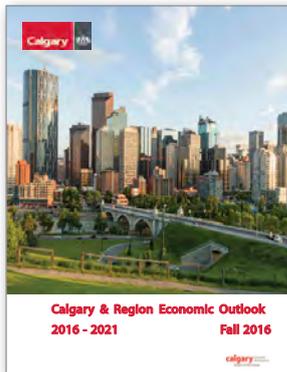
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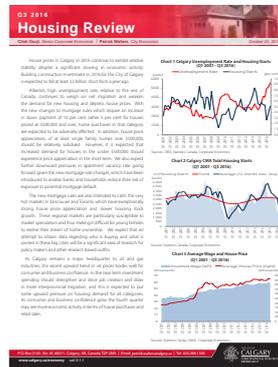
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- ▶ Calgary & Region Economic Outlook
- ▶ Energy Reports on Natural Gas and Crude Oil

## Information Provision



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

## 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: Statistics Canada, Bank of Canada, Corporate Economics

