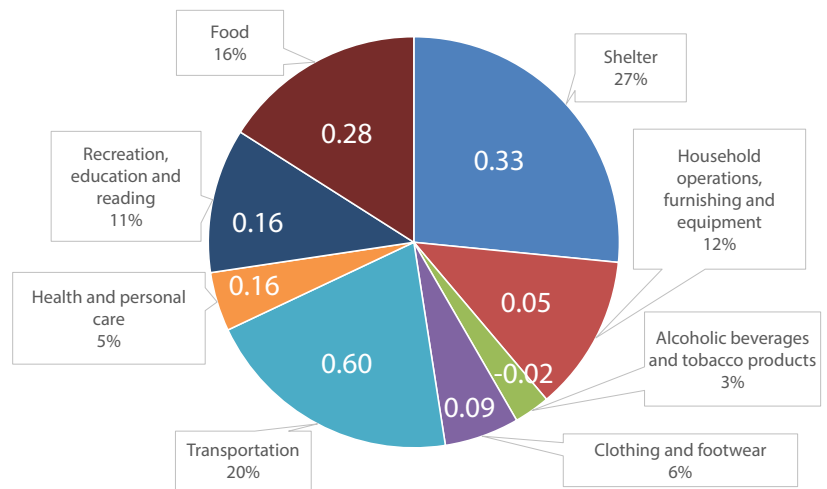


Inflation Review

Highlights:

- To measure inflation we look to movements in the consumer price index (CPI) which tracks the prices of a specified number of consumer goods and services. The table below shows the changes in prices of consumer goods and the relative importance of those changes. As food and energy prices can be volatile it is sometimes useful to look at the CPI without those consumer goods present.
- The carbon levy introduced in Alberta in January 2017 was immediately translated into price hikes in the first month of 2017 and continuing into the fifth month of 2017. Within the first two months the price impact averaged 2.25 per cent increase, softening to 1.85 per cent between March and May of 2017.
- On a monthly basis, Alberta and Calgary inflation are 2.26 percent, slightly below the national inflation of 2.3 per cent. Canada sits above the Bank of Canada Target rate of 2 per cent. Ordinarily the Bank of Canada would raise interest rates to slow the inflationary atmosphere evolving. In July and September of 2017, the Bank of Canada raised the overnight rate to 0.75 and then to 1 per cent rate consecutively, and followed up with another 0.25 percentage point raise in January of 2018. This week the Bank of Canada decided a wait and see approach is warranted as it believes there is still significant slack in labour markets in Canada.
- Headline Inflation year over year for the first three months of 2018 remained stronger than the last two years. However, core inflation (net of food and energy) remained relatively subdued compared to the last two years. The impact of the carbon tax levy impacted transportation costs first. Transportation average inflation for the first three months of the year has been well above 3.7 per cent. Comparatively, in 2008 the average inflation over the first three months was 4.4 per cent, in that year, oil prices averaged 99 dollars USD per barrel, whereas oil prices today are hovering in the 60 dollar USD per barrel range. The year to date (YTD) core inflation in March of 2018 has been lower than the last two years, showing that household consumption has been relatively constrained.
- Calgary headline inflation in March was 1.63 per cent year over year, while year to date it was 1.23 per cent. The impact of price changes in March of consumer goods and services are highlighted in the pie chart.

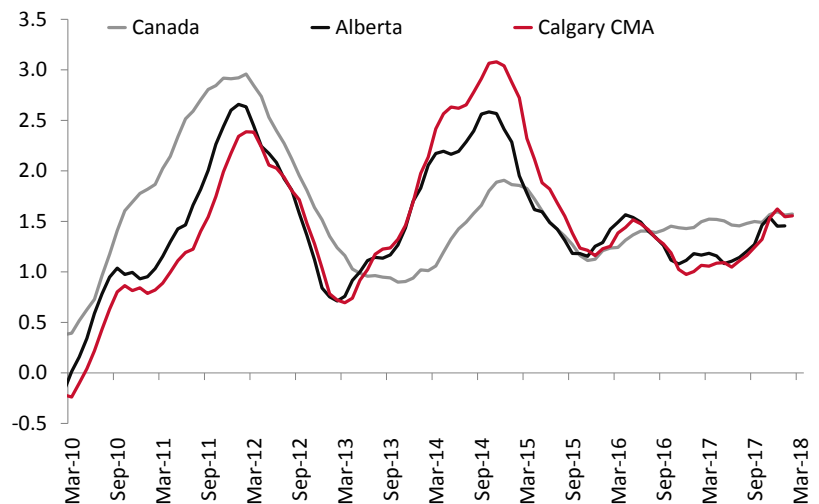
Calgary Census Metropolitan Area Share of Goods and Services of a Typical Urban Dweller Consumption Basket, 2013 Weights



* contribution value are shown in white on the chart
Source: Statistics Canada, Corporate Economics

Headline Inflation Comparison

(Mar 2010 - Mar 2018; 12-MMA, year-over-year change; per cent)



Source: Statistics Canada, Corporate Economics

Inflation Table

	Relative Importance (%) [*]	Year-over-year (12 MMA %)			Year-to-Date (12 MMA %)		
		Mar-18	Feb-18	Jan-18	Mar-18	Feb-18	Jan-18
Calgary: All-items	100.00	1.63	1.56	1.55	1.23	1.04	0.85
Calgary: All-items excluding food and energy	76.49	1.13	1.13	0.97	0.82	0.71	0.59
Food	15.99	2.16	2.17	2.71	1.45	1.19	0.96
Shelter	26.56	1.53	1.33	0.48	1.05	0.86	0.69
Rented accommodation	5.40	-1.32	-1.49	-0.87	-0.81	-0.78	-0.72
Owned accommodation	16.24	1.67	1.59	1.68	1.21	1.06	0.92
Water, fuel and electricity	4.84	5.44	4.62	0.21	3.39	2.71	2.05
Household operations, furnishing and equipment	12.27	0.47	0.35	0.33	0.36	0.28	0.18
Clothing and footwear	5.88	1.93	1.77	1.31	1.51	1.33	1.05
Transportation	20.44	3.62	3.53	2.71	2.76	2.19	1.77
Gasoline	3.81	10.65	9.95	5.59	8.66	6.86	5.63
Health and personal care	4.65	4.30	4.27	2.77	3.13	2.73	2.30
Recreation, education and reading	11.37	1.73	2.06	-0.45	1.00	0.95	0.86
Alcoholic beverages and tobacco products	2.83	-1.07	-0.78	2.46	-0.15	-0.06	0.05
Alberta: All-items	100.00	1.53	1.46	1.45	1.18	0.99	0.80
Alberta: All-items excluding food and energy	76.49	1.03	1.03	1.06	0.77	0.66	0.55
Canada: All-items	100.00	1.63	1.57	1.56	1.23	1.04	0.86
Canada: All-items excluding food and energy	74.85	1.54	1.53	1.54	1.13	0.97	0.82

Sources: Statistics Canada, Corporate Economics, April 20, 2018

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

** CPI historical data was adjusted by Statistics Canada on April 21, 2017;

Glossary

Headline Inflation: is the contribution of all components of inflation within the consumer basket of goods and services.

Core Inflation: is the contribution of all components of inflation excluding food and energy inflation contributions within the consumer basket of goods and services.

Overnight Rate: The interest rate the Bank of Canada charges commercial banks to borrow money.

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.

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Sources: Statistics Canada, Bank of Canada, Corporate Economics