



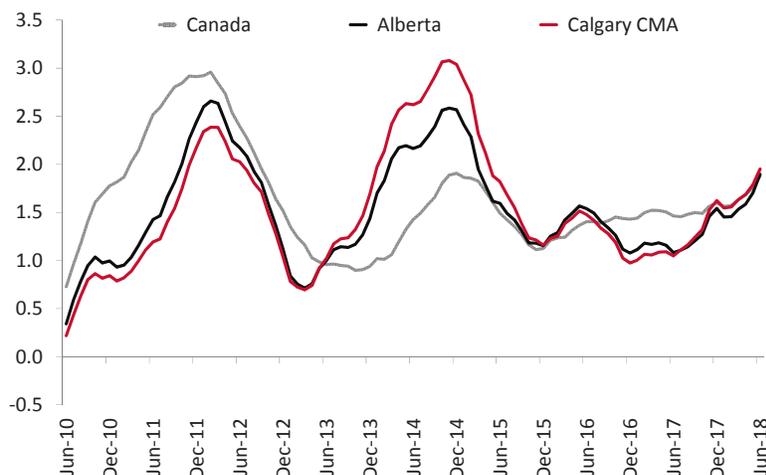
Inflation Review

Highlights:

- In June 2018 headline inflation in Calgary rose to 1.95 per cent from June 2017. When the twelve-month moving average is considered, the inflation rate over the first six months of 2018 was 1.12 per cent.
- The major contributor to consumer price inflation in Calgary was the cost of transportation. It added 0.88 percentage points to inflation as oil prices have firmed up and this has translated into rising costs including those for servicing automobiles. The second largest contributor was food and shelter adding 0.66 percentage points. This is likely due, in part, to tariffs on imports showing up as additional costs for groceries and also because of rising costs for housing. The least impact to consumer price inflation was from the cost of household operations, furnishings and equipment. Collectively they added 0.05 percentage points to inflation.
- The inflation trend in Calgary is similar to that for Alberta and Canada. Headline inflation in Alberta increased to 1.9 per cent year over year and rose by 1.12 per cent year to date, while Canada saw an increase of 1.88 per cent year over year and an increase of 1.09 per cent year to date on a twelve-month moving average.

Headline Inflation Comparison

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



Source: Statistics Canada, Corporate Economics

- The reconsideration of existing free trade agreements and their actual replacement with tariffs is expected to manifest through higher inflation across the globe. This is mostly stimulated by actions of the United States relative to its trading partners. Canada is a major trading partner and there will be implications for Calgary. Specifically, the cost of production will increase and this will lead to increases in prices of goods and services to maintain profitability for businesses.

Inflation Rates

	Relative Importance (%)*	Year-over-year (12-MMA, %)			Year-to-Date (12-MMA, %)		
		Jun-18	May-18	Apr-18	Jun-18	May-18	Apr-18
Calgary: All-items	100.00	1.95	1.79	1.69	1.12	0.90	0.68
Calgary: All-items excluding food and energy	76.49	1.23	1.18	1.15	0.66	0.53	0.41
Food	15.99	1.45	1.42	1.35	0.72	0.68	0.61
Shelter	26.56	1.68	1.67	1.64	0.95	0.83	0.67
Rented accommodation	5.40	-0.75	-0.92	-1.11	-0.15	-0.15	-0.15
Owned accommodation	16.24	1.72	1.72	1.72	0.79	0.68	0.56
Water, fuel and electricity	4.84	5.12	5.30	5.50	3.23	2.92	2.35
Household operations, furnishing and equipment	12.27	0.45	0.55	0.63	0.27	0.32	0.35
Clothing and footwear	5.88	1.96	1.67	1.56	1.02	0.70	0.57
Transportation	20.44	4.43	3.60	3.19	2.79	2.09	1.53
Gasoline	3.81	16.29	12.67	10.41	10.03	7.45	4.86
Health and personal care	4.65	2.37	2.23	2.12	1.28	1.06	0.84
Recreation, education and reading	11.37	0.57	0.85	0.85	0.03	0.05	-0.19
Alcoholic beverages and tobacco products	2.83	3.03	2.95	2.85	1.67	1.36	1.05
Alberta: All-items	100.00	1.90	1.70	1.59	1.12	0.89	0.68
Alberta: All-items excluding food and energy	76.49	1.17	1.09	1.05	0.67	0.53	0.41
Canada: All-items	100.00	1.88	1.76	1.68	1.09	0.88	0.70
Canada: All-items excluding food and energy	74.85	1.63	1.59	1.57	0.88	0.73	0.59

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

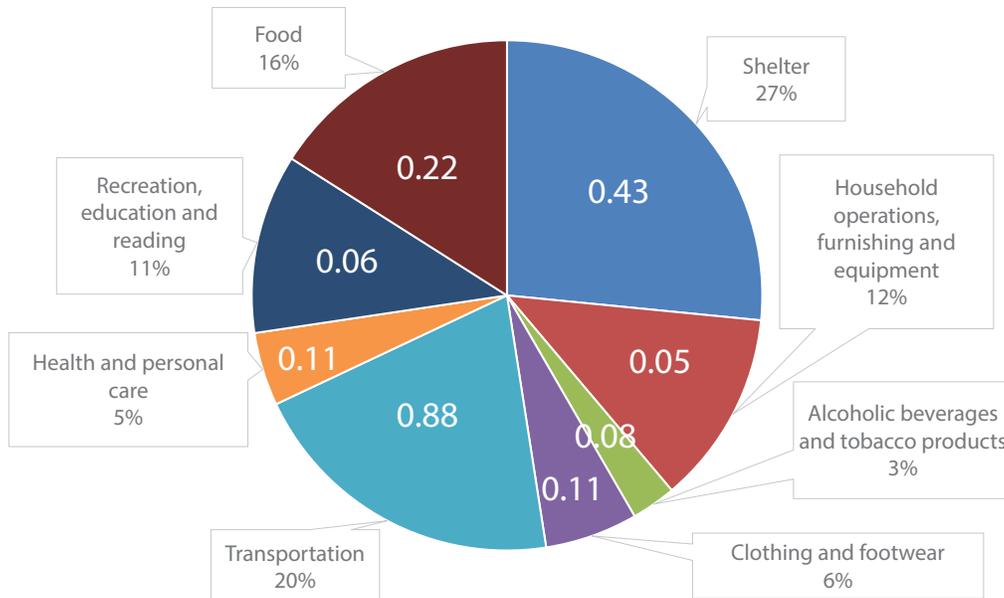
* 2013 CPI basket weights at January 2015 prices, date modified on February 26, 2015;

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

- This is an interesting and potentially challenging period for monetary policy and monetary authorities. To sustain the mandate of ensuring price stability a lot of analysis will be required. These events that are taking place on the international stage have implications for Canadian economic activity.

Next release: August 17, 2018

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



* contribution of inflation by percentage points are highlighted in white on pie chart above

Glossary:

Headline Inflation: This is the inflation rate measured using all components of the consumer basket of goods and services.

Core Inflation: This is the inflation rate after excluding food and transportation from 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