



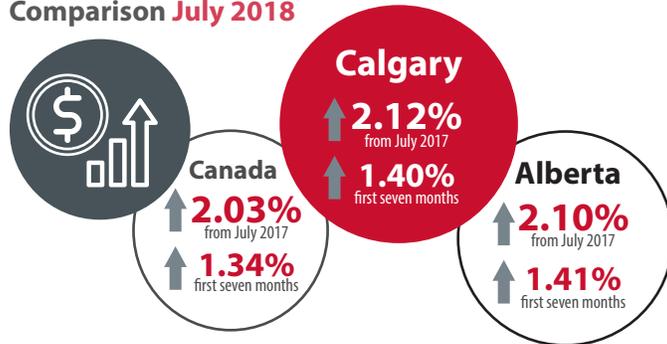
JULY 2018

Inflation Review

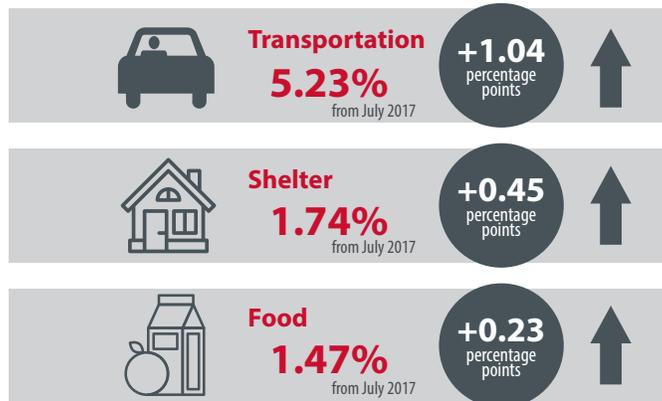
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August 17, 2018

Headline Inflation 12-month-moving-average Comparison July 2018



Major Contributors to consumer price inflation



Highlights:

- In July 2018 headline inflation in Calgary rose to 2.12 percent from July 2017. The inflation rate over the first seven months of 2018 was 1.40 percent using the twelve-month moving average.
- Transportation inflation is the major contributor to consumer price inflation in Calgary. It added 1.04 percentage points to inflation as oil prices continued to firm up which has translated into rising costs including those for servicing automobiles. The second largest contributor was food and shelter adding 0.68 percentage points.
- The impact of United States tariffs and retaliatory tariffs by Canada is beginning to manifest itself in higher prices. As looming trade disputes linger between the United States and its trading partners, including Canada, this has increased the anxiety and uncertainty around expected investments in Canada. Changes in business sentiments add a layer of complexity to decisions of monetary authorities. Monetary authorities may require additional interest rate adjustments to achieve price stability. Aluminum and Steel are major input components used in the goods-producing sector. Calgary consumers will be affected by the tariffs imposed by the United States of 10 percent and 25 percent, respectively.
- Higher tariffs and retaliatory tariffs will raise prices across all industries and participants. This is because the inputs of one industry are outputs of others. Therefore, where supply chains are tightly or loosely linked, we sooner than later will begin to feel the full impact of tariffs.

Next release: September 21, 2018

Inflation Rates

	Relative Importance (%) *	Year-over-year (12-MMA, %)			Year-to-Date (12-MMA, %)		
		Jul-18	Jun-18	May-18	Jul-18	Jun-18	May-18
Calgary: All-items	100.00	2.12	1.95	1.79	1.40	1.12	0.90
Calgary: All-items excluding food and energy	76.49	1.30	1.23	1.18	0.84	0.66	0.53
Food	15.99	1.47	1.45	1.42	0.78	0.72	0.68
Shelter	26.56	1.74	1.68	1.67	1.12	0.95	0.83
Rented accommodation	5.40	-0.60	-0.75	-0.92	-0.13	-0.15	-0.15
Owned accommodation	16.24	1.67	1.72	1.72	0.87	0.79	0.68
Water, fuel and electricity	4.84	5.43	5.12	5.30	3.86	3.23	2.92
Household operations, furnishing and equipment	12.27	0.45	0.45	0.55	0.28	0.27	0.32
Clothing and footwear	5.88	1.87	1.96	1.67	1.17	1.02	0.70
Transportation	20.44	5.23	4.43	3.60	3.71	2.79	2.09
Gasoline	3.81	19.05	16.29	12.67	13.05	10.03	7.45
Health and personal care	4.65	2.36	2.37	2.23	1.42	1.28	1.06
Recreation, education and reading	11.37	0.41	0.57	0.85	0.09	0.03	0.05
Alcoholic beverages and tobacco products	2.83	3.08	3.03	2.95	1.94	1.67	1.36
Alberta: All-items	100.00	2.10	1.90	1.70	1.41	1.12	0.89
Alberta: All-items excluding food and energy	76.49	1.28	1.17	1.09	0.86	0.67	0.53
Canada: All-items	100.00	2.03	1.88	1.76	1.34	1.09	0.88
Canada: All-items excluding food and energy	74.85	1.70	1.63	1.59	1.07	0.88	0.73

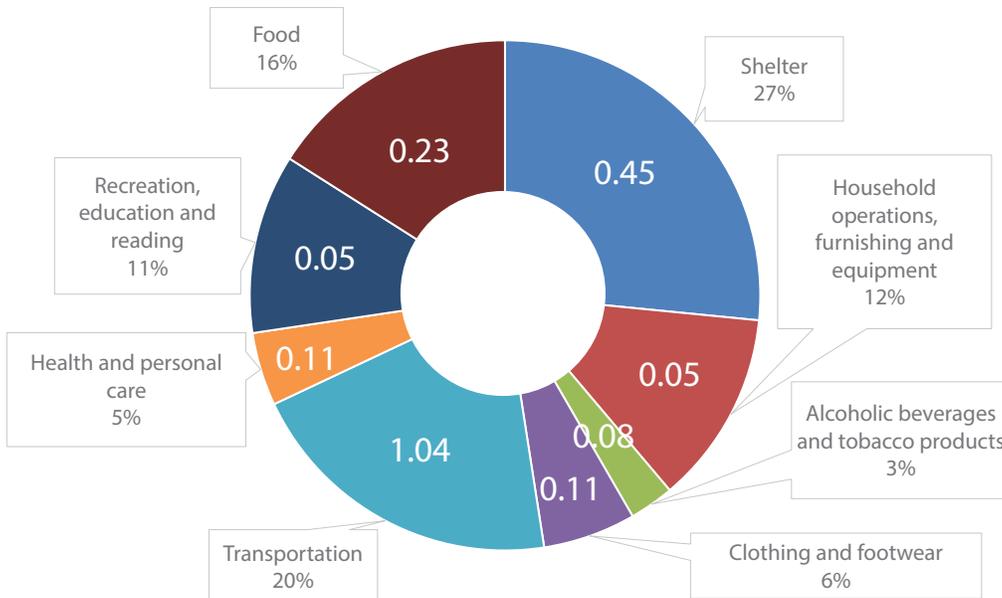
Sources: Statistics Canada, Corporate Economics, August 17, 2018

* 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

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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