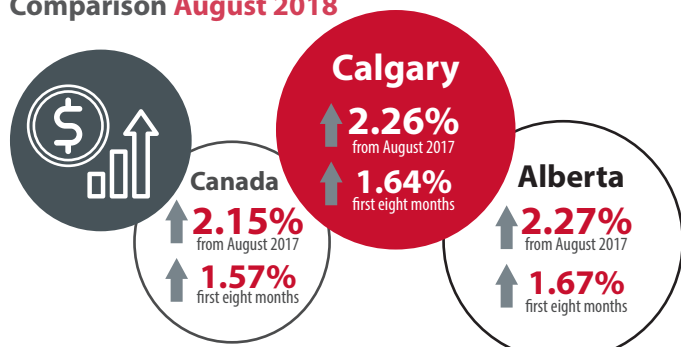
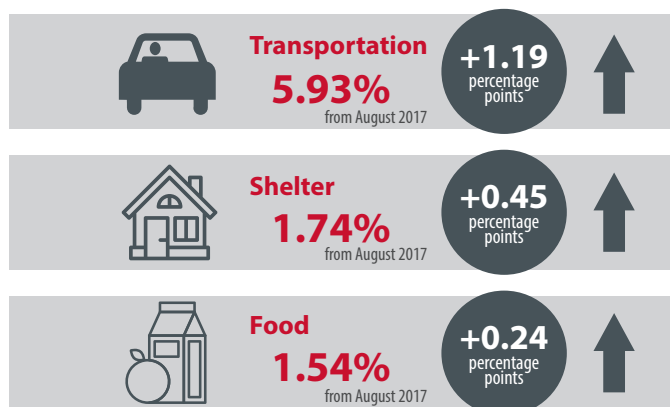




Headline Inflation 12-month-moving-average Comparison August 2018



Major Contributors to consumer price inflation



Inflation Rates

	Relative Importance (%) *	Year-over-year (12-MMA, %)			Year-to-Date (12-MMA, %)		
		Aug-18	Jul-18	Jun-18	Aug-18	Jul-18	Jun-18
Calgary: All-items	100.00	2.26	2.12	1.95	1.64	1.40	1.12
Calgary: All-items excluding food and energy	76.49	1.39	1.30	1.23	1.02	0.84	0.66
Food	15.99	1.54	1.47	1.45	0.85	0.78	0.72
Shelter	26.56	1.74	1.74	1.68	1.25	1.12	0.95
Rented accommodation	5.40	-0.46	-0.60	-0.75	-0.09	-0.13	-0.15
Owned accommodation	16.24	1.59	1.67	1.72	0.95	0.87	0.79
Water, fuel and electricity	4.84	5.61	5.43	5.12	4.27	3.86	3.23
Household operations, furnishing and equipment	12.27	0.44	0.45	0.45	0.28	0.28	0.27
Clothing and footwear	5.88	1.74	1.87	1.96	1.31	1.17	1.02
Transportation	20.44	5.93	5.23	4.43	4.53	3.71	2.79
Gasoline	3.81	21.07	19.05	16.29	15.53	13.05	10.03
Health and personal care	4.65	2.33	2.36	2.37	1.53	1.42	1.28
Recreation, education and reading	11.37	0.31	0.41	0.57	0.15	0.09	0.03
Alcoholic beverages and tobacco products	2.83	3.13	3.08	3.03	2.22	1.94	1.67
Alberta: All-items	100.00	2.27	2.10	1.90	1.67	1.41	1.12
Alberta: All-items excluding food and energy	76.49	1.39	1.28	1.17	1.04	0.86	0.67
Canada: All-items	100.00	2.15	2.03	1.88	1.57	1.34	1.09
Canada: All-items excluding food and energy	74.85	1.77	1.70	1.63	1.26	1.07	0.88

Highlights:

- In August 2018 headline inflation in Calgary rose to 2.26 per cent from August 2017. The inflation rate over the first eight months of 2018 was 1.64 per cent using the twelve-month moving average.
- In August, the major contributor to consumer price inflation in Calgary was the cost of transportation. It added 1.19 percentage points to the annual inflation rate. This contribution to annual inflation is 0.15 percentage points higher than it was in July. The second largest contributor was food and shelter adding 0.69 percentage points.
- The headline annual inflation rate in Calgary was slightly lower than Alberta but higher than Canada. The profile for the headline year-to-date inflation rate is identical.
- The continued uncertainty about the outcome of the North American Free Trade Agreement (NAFTA) renegotiation and the introduction of retaliatory tariffs on different products has and will continue to put upward pressure on local prices across Canada and the United States. Also, the uncertainty about the timing of completion for the NAFTA renegotiation has increased the risk of lower domestic and foreign investments throughout Canada, including Calgary.
- These considerations will put the Bank of Canada in a tight position. A rate hike would make local and foreign investments in Canada attractive because of the higher expected returns. However, some industries will find it more difficult to do business with higher borrowing costs and consumer spending could suffer as individuals are encouraged to save more. The job of the Bank of Canada becomes even more complicated when the interest rate differential with our neighbour south of the border is considered – a rate hike will have implications for investment flows and exchange rate stability.

– a rate hike will have implications for investment flows and exchange rate stability.

- The NAFTA renegotiation seems focused on select industries, including agriculture. There will likely be winners and losers. Greater competition and variability in investment flows will probably materialize for Calgary and other Canadian producers. Calgary and other Canadian consumers will benefit from product variety, and downward pressure on prices as producers strive for lower cost production methods to remain competitive.

Next release: October 19, 2018

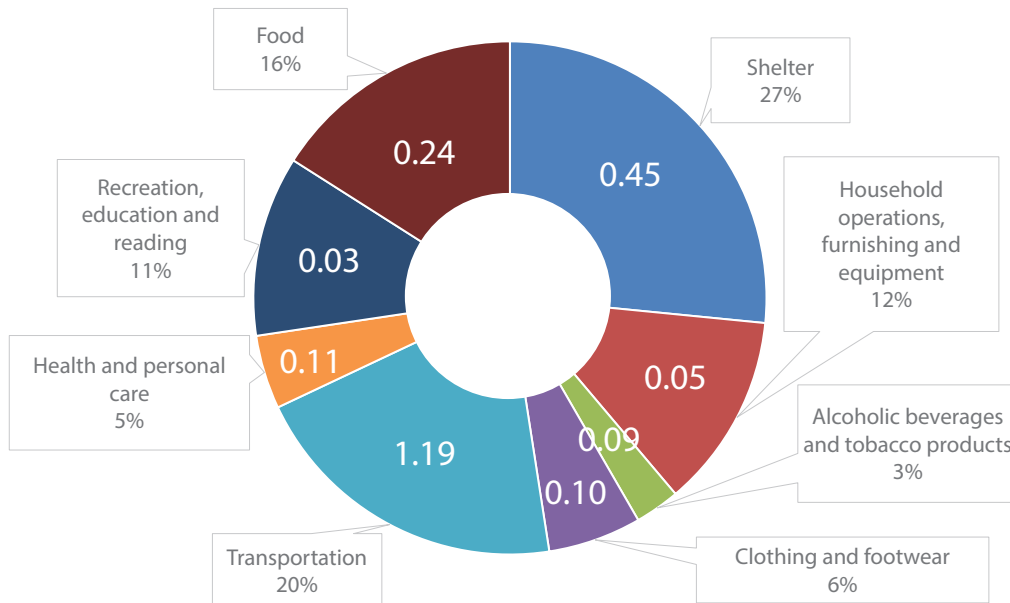
Sources: Statistics Canada, Corporate Economics, September 21, 2018

* 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

continued on next page ➡

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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