



DECEMBER 2018

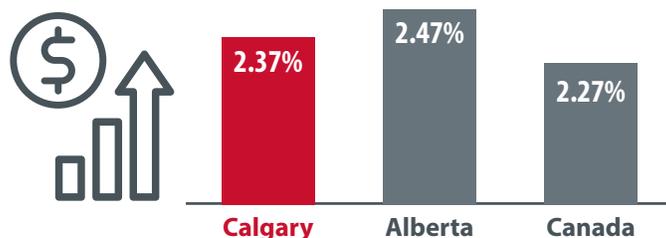
Inflation Review

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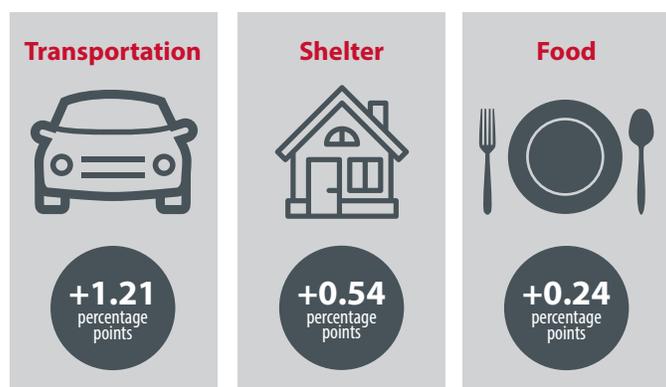
January 18, 2019

December 2018 Headline Inflation

Comparison is based on 12-month-moving-average of the CPI



Major Contributors to Calgary's Inflation Rate



Highlights:

- The 2018 increase in the Consumer Price Index (CPI) was 2.37 per cent using gains from December 2017 to December 2018. The 2018 inflation rate follows gains of 1.62 per cent in 2017 and 0.97 per cent in 2016. The 2018 CPI increase is the largest since 2014. The backdrop for this gain is strong external factors - the pass-through from the change in tariff regime and oil price volatility - and weak internal factors reflected in 2018 local labour market conditions.
- The major contributor to the 2018 Calgary CPI was the cost of transportation. It added 1.21 percentage points to the annual inflation rate. Excluding the impact of transportation costs, the annual average CPI rose 1.16 per cent. The contribution of transportation inflation fluctuated throughout the year in line with gasoline and diesel price volatility. Transportation's average contribution to year-over-year inflation recorded for all the months of 2018 was 0.96 percentage points.
- Before tariffs imposed by the United States (U.S.) in June 2018, transportation's average contribution to inflation was 0.65 percentage points. The impact of U.S. tariffs on Aluminum and Steel and Canada's retaliatory tariffs on not just Aluminum and Steel, but on 79 other non-related products partly explain higher prices.
- The second largest contributor to inflation was food and shelter adding 0.78 percentage points to the 2018 inflation rate.
- The 2018 inflation rates for Calgary, Alberta and Canada were similar at just above two per cent. The Calgary headline annual inflation rate was lower than Alberta by 0.1 percentage points but higher than Canada by 0.1 percentage points.

Inflation Rates

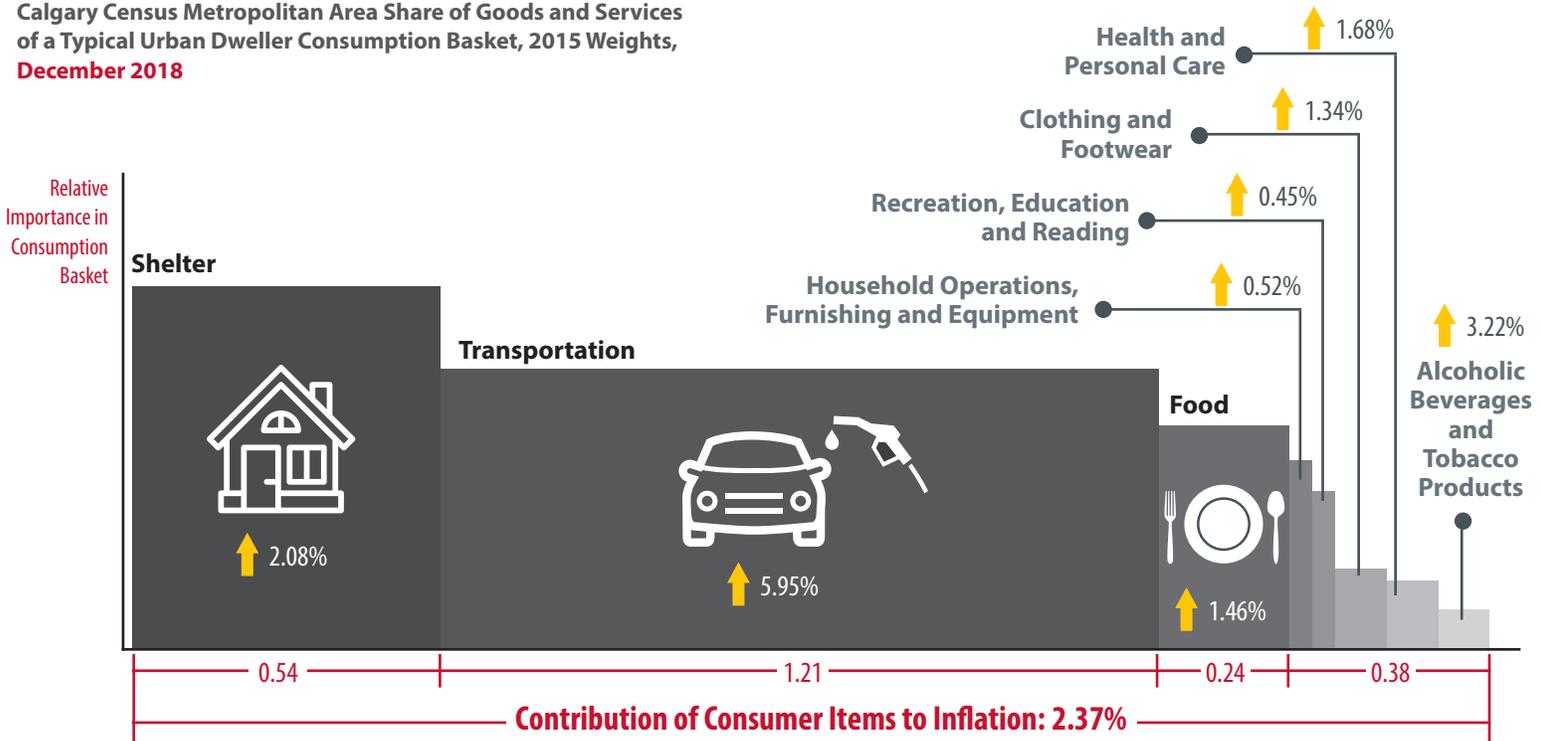
	Relative Importance (%)*	Year-over-year (12-MMA, %)			Year-to-Date (12-MMA, %)		
		Dec-18	Nov-18	Oct-18	Dec-18	Nov-18	Oct-18
Calgary: All-items	100.00	2.37	2.37	2.47	2.37	2.21	2.09
Calgary: All-items excluding food and energy	77.90	1.51	1.45	1.48	1.51	1.35	1.27
Food	15.95	1.46	1.42	1.48	1.46	1.28	1.14
Shelter	25.73	2.08	2.06	1.91	2.08	1.88	1.62
Rented accommodation	6.22	0.14	-0.01	-0.17	0.14	0.07	-0.01
Owned accommodation	15.35	1.26	1.33	1.37	1.26	1.17	1.07
Water, fuel and electricity	4.16	7.39	7.38	6.68	7.39	6.66	5.71
Household operations, furnishing and equipment	13.48	0.52	0.31	0.46	0.52	0.37	0.38
Clothing and footwear	5.76	1.34	1.59	1.88	1.34	1.37	1.46
Transportation	20.03	5.95	6.20	6.67	5.95	5.76	5.64
Gasoline	3.17	18.57	20.62	23.71	18.57	19.20	19.57
Health and personal care	4.90	1.68	1.85	2.07	1.68	1.66	1.67
Recreation, education and reading	11.31	0.45	0.32	0.30	0.45	0.36	0.31
Alcoholic beverages and tobacco products	2.84	3.22	3.21	3.21	3.22	2.98	2.75
Alberta: All-items	100.00	2.47	2.46	2.53	2.47	2.29	2.15
Alberta: All-items excluding food and energy	77.90	1.61	1.53	1.54	1.61	1.43	1.33
Canada: All-items	100.00	2.27	2.26	2.29	2.27	2.10	1.96
Canada: All-items excluding food and energy	76.71	1.93	1.88	1.88	1.93	1.73	1.59

Sources: Statistics Canada, Corporate Economics, January 18, 2019

* 2015 CPI basket weights at January 2017 prices, date modified on February 24, 2017

Next release: February 27, 2019
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Calgary Census Metropolitan Area Share of Goods and Services of a Typical Urban Dweller Consumption Basket, 2015 Weights, December 2018



Sources: Statistics Canada, Corporate Economics, January 18, 2019

* Contribution of inflation by percentage points. Total contribution equals to headline inflation.

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.

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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