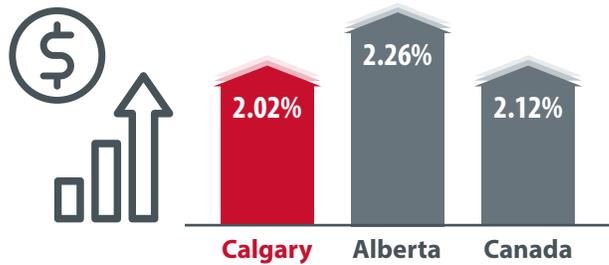


## June 2019 Headline Inflation

Comparison is based on 12-month-moving-average of the Consumer Price Index



## Calgary and Local Conditions Contributing to Inflation

In June 2019, the Consumer Price Index (CPI) increased by 2.0 per cent from June 2018. For the first half of 2019, inflation pressure was lower than it was at the beginning of 2018. For the first six months of 2019, the CPI was higher by 0.77 per cent. Last year, it took just four months to achieve the same pace of inflation. The CPI increased by 1.12 per cent for the first six months of 2018.

The major contributor to the June 2019 annual inflation rate was the cost of food and shelter. It added 1.02 percentage points to the annual inflation rate. The contribution of food and shelter costs to annual inflation at the same time last year was 0.67 percentage points.

The second significant contributor to inflation was transportation. It added 0.78 percentage points to the June 2019 annual inflation rate. The contribution of transportation costs to the annual inflation rate was lower than June 2018 (0.90 percentage points).

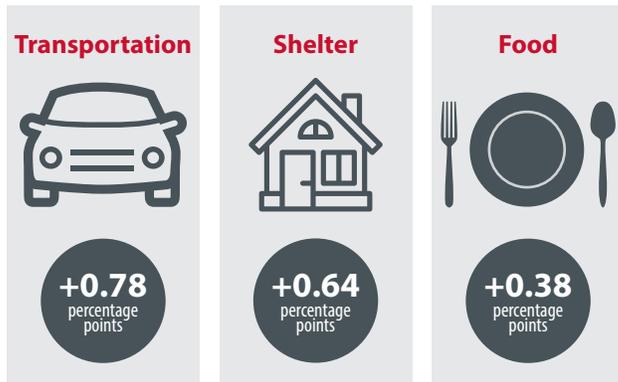
Excluding the contribution of transportation, food and shelter costs, the annual average CPI was higher by 0.22 per cent in June 2019. It is 0.35 percentage points lower than inflation build-up for the same items in the consumer goods basket for the first half of 2018.

Continued labour market strengthening in Calgary has transmitted to food and shelter cost pressures.

## External Inflation Conditions and Contributing Factors

For June 2019, the Alberta and Canada-wide annual inflation rates were 2.3 and 2.1 per cent, respectively. The June 2019 annual inflation rates for Calgary and Canada were lower than for Alberta.

## Major Contributors to Calgary's Inflation Rate



## Inflation Rates

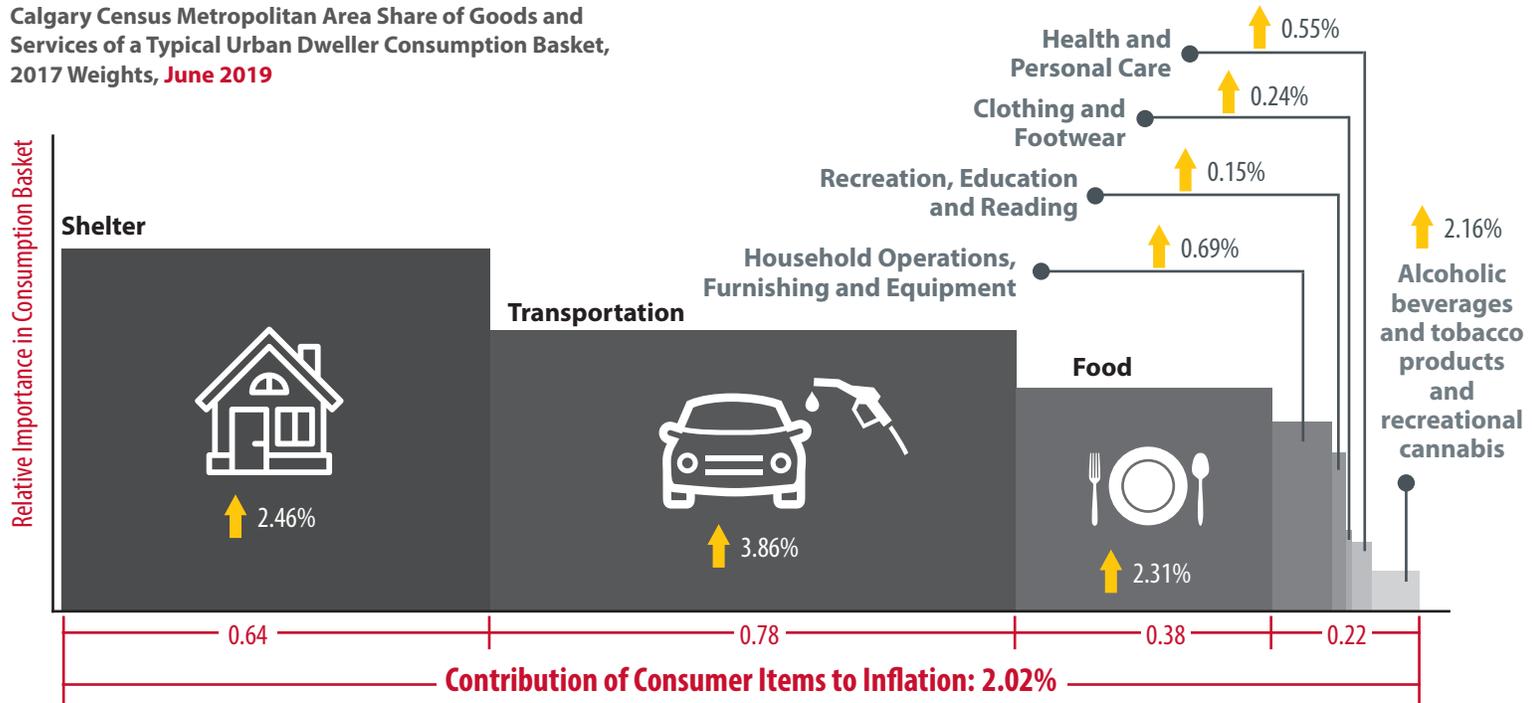
|   | Relative Importance (%)* | Year-over-year (12-MMA, %) |        |        | Year-to-Date (12-MMA, %) |        |        |
|---|--------------------------|----------------------------|--------|--------|--------------------------|--------|--------|
|   |                          | Jun-19                     | May-19 | Apr-19 | Jun-19                   | May-19 | Apr-19 |
| Calgary: All-items  | 100.00                   | 2.02                       | 2.15   | 2.21   | 0.77                     | 0.68   | 0.53   |
| Calgary: All-items excluding food and energy                    | 76.28                    | 1.55                       | 1.55   | 1.55   | 0.70                     | 0.57   | 0.45   |
| Food  | 16.59                    | 2.31                       | 2.01   | 1.81   | 1.56                     | 1.22   | 0.96   |
| Shelter   | 26.26                    | 2.46                       | 2.43   | 2.34   | 1.32                     | 1.18   | 0.91   |
| Rented accommodation  | 5.68                     | 0.55                       | 0.73   | 0.77   | 0.27                     | 0.44   | 0.47   |
| Owned accommodation   | 15.48                    | 1.45                       | 1.39   | 1.36   | 0.98                     | 0.81   | 0.66   |
| Water, fuel and electricity                                     | 5.09                     | 7.71                       | 7.75   | 7.37   | 3.54                     | 3.27   | 2.34   |
| Household operations, furnishing and equipment                  | 12.93                    | 0.69                       | 0.53   | 0.42   | 0.44                     | 0.33   | 0.25   |
| Clothing and footwear   | 5.15                     | 0.24                       | 0.67   | 0.80   | -0.07                    | 0.04   | 0.04   |
| Transportation  | 20.28                    | 3.86                       | 4.58   | 4.88   | 0.77                     | 0.77   | 0.50   |
| Gasoline  | 3.26                     | 3.24                       | 7.49   | 10.90  | -4.19                    | -2.59  | -1.92  |
| Health and personal care  | 4.81                     | 0.55                       | 0.70   | 0.90   | 0.16                     | 0.09   | 0.07   |
| Recreation, education and reading                               | 10.49                    | 0.15                       | 0.08   | 0.50   | -0.27                    | -0.32  | -0.14  |
| Alcoholic beverages, tobacco products and recreational cannabis | 3.48                     | 2.16                       | 2.44   | 2.71   | 0.62                     | 0.60   | 0.55   |
| Alberta: All-items  | 100.00                   | 2.26                       | 2.37   | 2.39   | 0.92                     | 0.80   | 0.60   |
| Alberta: All-items excluding food and energy                    | 76.28                    | 1.79                       | 1.78   | 1.73   | 0.85                     | 0.69   | 0.53   |
| Canada: All-items   | 100.00                   | 2.12                       | 2.15   | 2.14   | 0.94                     | 0.77   | 0.57   |
| Canada: All-items excluding food and energy                     | 77.01                    | 2.09                       | 2.04   | 1.98   | 1.04                     | 0.85   | 0.65   |

\* Consumer Price Index (CPI) basket weights are based on the 2017 Survey of Household Spending, modified on February 2019. Sources: Statistics Canada, Corporate Economics, July 17, 2019

The upward pressure on food prices resulting from agricultural imports could get offset by a drop in exports going forward. It is because of the unresolved dispute between Canada and China on Canadian beef and pork exports to China. The halting of Canadian beef and pork exports by China in June 2019 due to claims of irregularities in quality conditions could generate an over-supply of beef and pork in the local and Canadian economy. This over-supply could drive food prices lower. Alberta is a significant player in the export market for meat and produces about 60 per cent of all beef in Canada.



Calgary Census Metropolitan Area Share of Goods and Services of a Typical Urban Dweller Consumption Basket, 2017 Weights, June 2019



Sources: Statistics Canada, Corporate Economics, July 17, 2019

Next release: August 21, 2019

## 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.

For media inquiry, please contact:

The Media Line at 403.828.2954 or [media.relations@calgary.ca](mailto:media.relations@calgary.ca)

For the technical questions, please contact:

**Oyin Shyllon**  
City Economist & Regulatory Lead  
403.268.1590  
[oshyllon@calgary.ca](mailto:oshyllon@calgary.ca)

**Chukwudi Osuji, Ph.D.**  
Senior Corporate Economist  
403.268.3752  
[chukwudi.osuji@calgary.ca](mailto:chukwudi.osuji@calgary.ca)

**Estella Scruggs**  
Corporate Research Analyst  
403.268.5556  
[estella.scruggs@calgary.ca](mailto:estella.scruggs@calgary.ca)

Many of our publications are available on the internet at [www.calgary.ca/economy](http://www.calgary.ca/economy)

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Sources: Statistics Canada, Bank of Canada, Corporate Economics