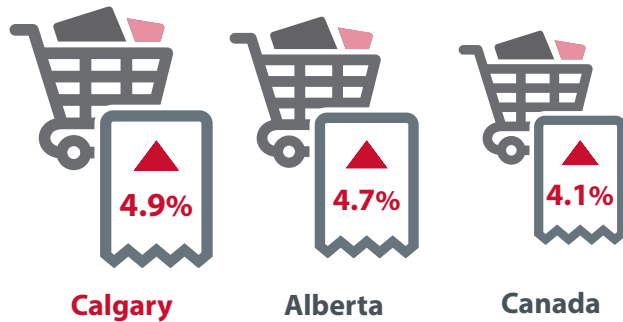


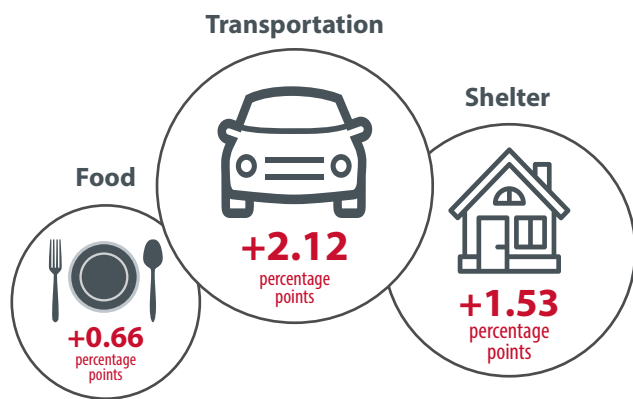
Headline Inflation Comparison

August 2021



Major Contributors to Alberta's Inflation Rate

August 2021



Inflation Rates

	Relative Importance (%)*	Year-over-year (%)			Year-to-Date (%)		
		Aug-21	Jul-21	Jun-21	Aug-21	Jul-21	Jun-21
Calgary: All-items	100.00	4.9	4.0	2.6	4.4	3.9	2.6
Shelter	26.35	6.3	5.6	2.9	4.4	3.7	1.1
Rented accommodation	5.77	-1.0	0.6	-0.4	-1.9	-1.8	-2.2
Owned accommodation	16.55	4.7	4.5	2.8	3.4	3.7	2.0
Water, fuel and electricity	4.03	21.3	15.8	7.0	15.2	10.3	1.4
Alberta: All-items	100.00	4.7	3.7	2.7	4.3	3.8	2.8
Alberta: All-items excluding food and energy	75.72	2.5	1.8	1.0	2.4	2.1	1.5
Canada: All-items	100.00	4.1	3.7	3.1	3.8	3.6	2.9
Canada: All-items excluding food and energy	77.06	3.0	2.8	2.2	2.8	2.6	2.1

* CPI basket weights are based on the 2020 expenditure data, modified on June 2021.

Sources: Statistics Canada, Corporate Economics, September 15, 2021.

CPI Inflation in the Calgary Census Metropolitan Area Spikes to Highest Level since 2007

In August 2021, the headline consumer price index (CPI) in the Calgary Census Metropolitan Area (CMA) increased by 0.5 per cent from July and by 4.9 per cent over the previous twelve months. This represents the largest year-over-year inflation rate recorded in the CMA since June 2007.

August's inflation rate followed an already high year-over-year inflation rate of 4.0 per cent in July 2021. Inflation increased even further in August 2021 in part due to low prices in August 2020, which had fallen since July 2020. Coupled with month-over-month increases in August 2021, this led to an acceleration of inflation in the CMA in August 2021.

High Inflation in Alberta Driven by Energy and Food Prices

Alberta reported year-over-year CPI inflation of 4.7 per cent in August, compared to 4.1 per cent in Canada. All categories posted a stronger contribution to Alberta's inflation in August than in July 2021.

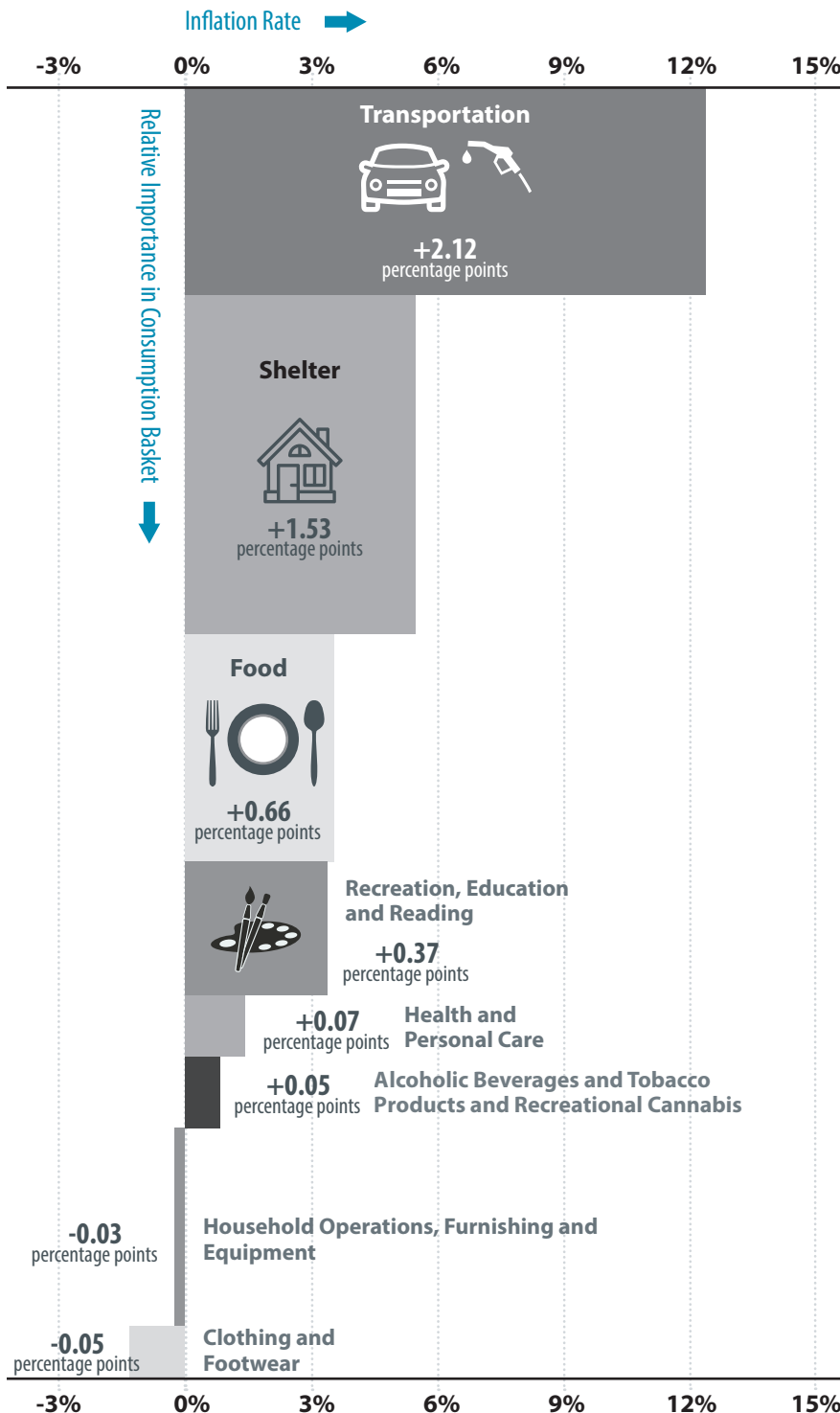
As was seen for July in the previous report, energy prices were the primary cause of Alberta's exceptionally high inflation rate in August. Gasoline, natural gas, and electricity remained the three individual items with the strongest price increases. Gasoline prices boosted the cost of transportation, which was the greatest contributor to Alberta's inflation rate, adding 2.12 percentage points to total inflation. Energy prices also impacted the cost of shelter, which contributed 1.53 percentage points to total inflation.

Other drivers, such as food prices, only amplified Alberta's inflation in August. In the summer of 2021, Western Canada faced devastating drought conditions in many regions, an event made more probable because of climate change. The resulting impacts on local crop production carried over into the cost of livestock production, while the effects of closures of livestock processing plants during the pandemic added to increases in meat prices. Increased transportation costs only added an additional premium to food prices. Even as locally produced food faced these challenges, the impacts of climate change and transportation bottlenecks around the world meant that imported food faced similar price increases.

Food prices are expected to continue to rise this fall, as farms that depend on temporary foreign workers have struggled to find enough labour to keep up with the harvest. With all these challenges, the cost of food added 0.66 percentage points to total inflation in Alberta in August, and this category has the potential to become even more significant in the coming months.

Despite the high inflation rate, not all prices increased. In August, the greatest offset to Alberta's price inflation came from a decrease in prices for clothing and footwear, contributing -0.05 percentage points to total inflation. The individual products and services that reported the largest price decreases were telephone services, recreational cannabis, and women's clothing.

Contribution of Consumer Items to Inflation: Alberta August 2021



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:

Bank of Canada, Statistics Canada, Corporate Economics.