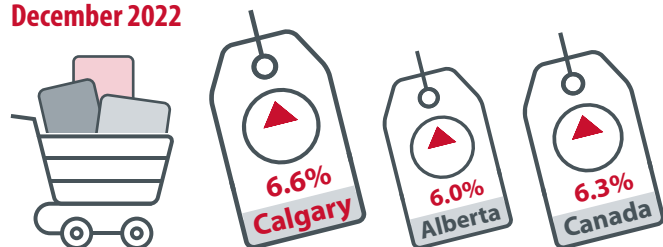


## Headline Inflation Comparison

December 2022



## Year-over-Year inflation in Calgary is still high but on a downward trend

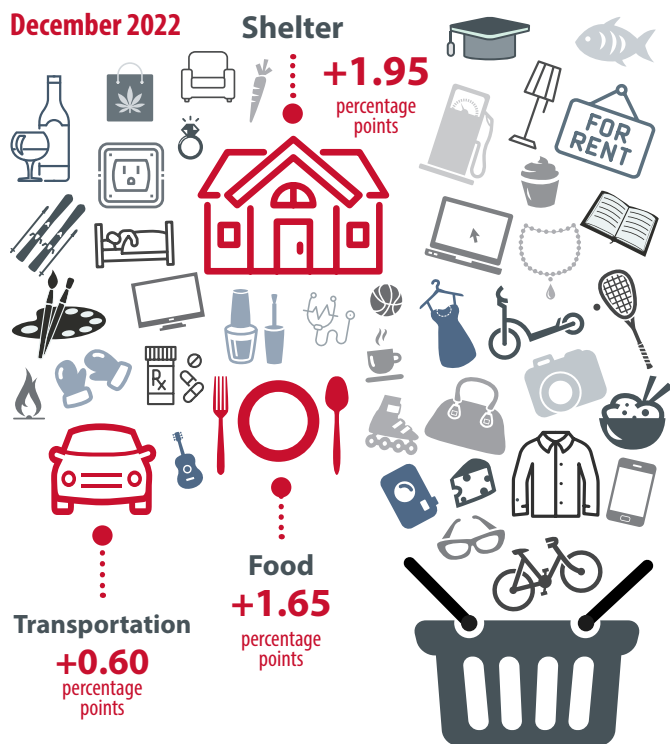
In December 2022, the headline consumer price index (CPI) in the Calgary Census Metropolitan Area (CMA) increased by 6.6 per cent over the previous twelve months. This was below the rate of 7.3 per cent reported for November 2022 but remained far above the target rate of 2 per cent.

## As forecasted, annual inflation in Calgary came in at 7.2 per cent

The annual average inflation rate for the Calgary CMA in 2022 was 7.2 per cent, marking the highest annual inflation rate since 1982. The year-over-year monthly inflation rate peaked at 9.6 per cent in June 2022. Several factors combined in 2022 led to high inflation across a broad range of goods and services. First, a recovery in demand for goods and services began in 2021 as the impacts of the COVID-19 pandemic began to recede. As this recovery in demand continued into 2022, global supply chain challenges related to the pandemic persisted, with the combination of these trends creating increasing inflationary pressures. Then, in February 2022, the Russian invasion of Ukraine led to major disruptions in global supplies of various commodities, adding further fuel to inflation. In response to the high inflation rate, the Bank of Canada raised its policy rate seven (7) times in 2022, marking the Bank of Canada's fastest series of rate increases since it began targeting inflation in 1991. While higher interest rates can soften demand and cool inflation, there may be a delay in their effect on inflation. Thus, while inflation remained stubbornly high throughout much of 2022, a continued gradual decrease is expected throughout 2023 as both demand-side and supply-side pressures subside.

## Major Contributors to Alberta's Inflation Rate

December 2022



## Price increases across all categories in Alberta, but gasoline prices drop

Alberta's year-over-year CPI inflation dropped to 6.0 per cent in December. Canada's inflation rate remained slightly higher than Alberta's at 6.3 per cent. Inflation was lower in both Alberta and Canada than in the Calgary CMA.

In December, food prices continued to grow the fastest of all categories in Alberta. The year-over-year rate for food prices was 10.0 per cent, only slightly below the rate for November. The growth of shelter prices was also significant, at 7.6 per cent, and marked an acceleration from November's rate of 6.5 per cent. Increases in natural gas and electricity prices contributed to higher shelter costs, as well as higher costs for rented accommodation.

Alberta's inflation rate for transportation decelerated in December to a 3.4 per cent year-over-year increase. Driving this deceleration was a significant drop in gasoline prices, which fell by 15.6 per cent from November and 7.3 per cent since December 2021. The reopening of several refineries in the

United States contributed to an increase in gasoline supply in December. At the same time, global demand decreased due to recession fears and increasing interest rates. Combined with the partial suspension of Alberta's gasoline tax in December, these factors led to the lowest gasoline prices seen in Alberta since April 2021.

Year-over-year price increases occurred across all major categories in Alberta. However, prices for a few individual items across various categories have decreased since December 2021. In addition to gasoline, these include home entertainment equipment, reading material, and beef.

## Inflation Rates

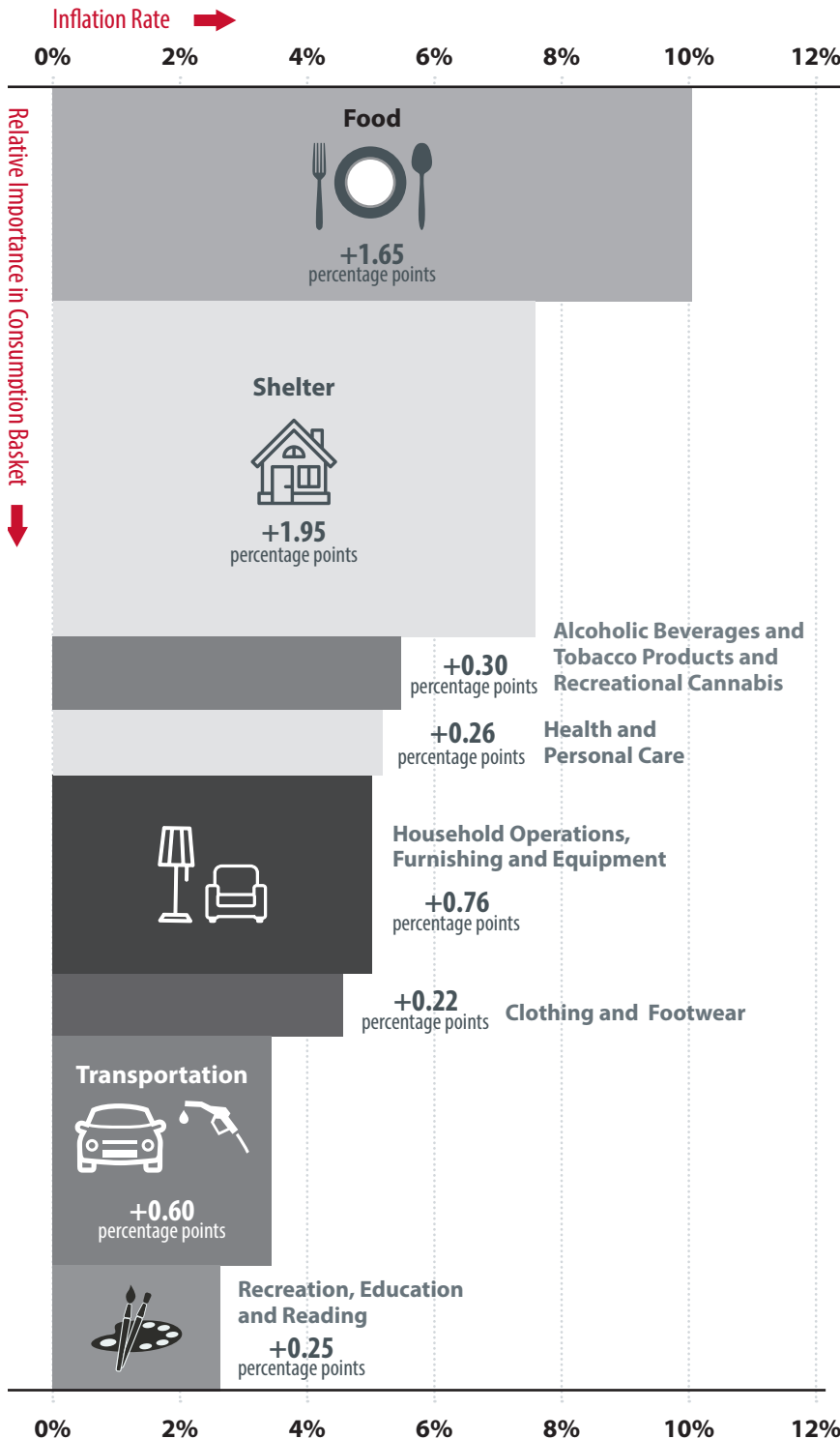
	Relative Importance (%)*	Year-over-year (%)			Year-to-Date Average (%)
		Dec-22	Nov-22	Oct-22	
Calgary: All-items	100.00	6.6	7.3	7.4	7.2
Shelter	25.77	9.5	8.4	8.2	8.6
Rented accommodation	5.81	5.3	6.3	5.8	5.5
Owned accommodation	15.83	11.8	11.4	10.9	8.2
Water, fuel and electricity	4.14	7.2	1.6	2.5	13.8
Alberta: All-items	100.00	6.0	6.6	6.8	6.5
Alberta: All-items excluding food and energy	75.90	5.7	5.8	5.5	4.7
Canada: All-items	100.00	6.3	6.8	6.9	6.8
Canada: All-items excluding food and energy	76.65	5.3	5.4	5.3	5.0

\* CPI basket weights are based on the 2021 expenditure data, modified on December 2022.

Sources: Statistics Canada, Corporate Economics, January 17, 2023.

## Contribution of Consumer Items to Inflation: Alberta

December 2022



## 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.