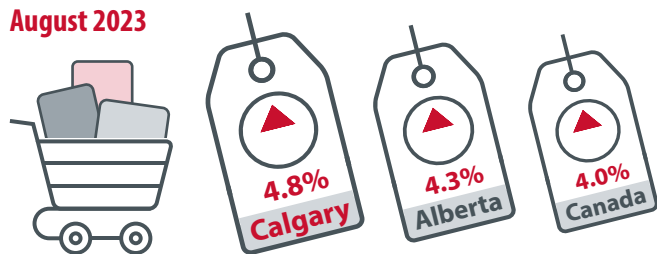


Headline Inflation Comparison

August 2023



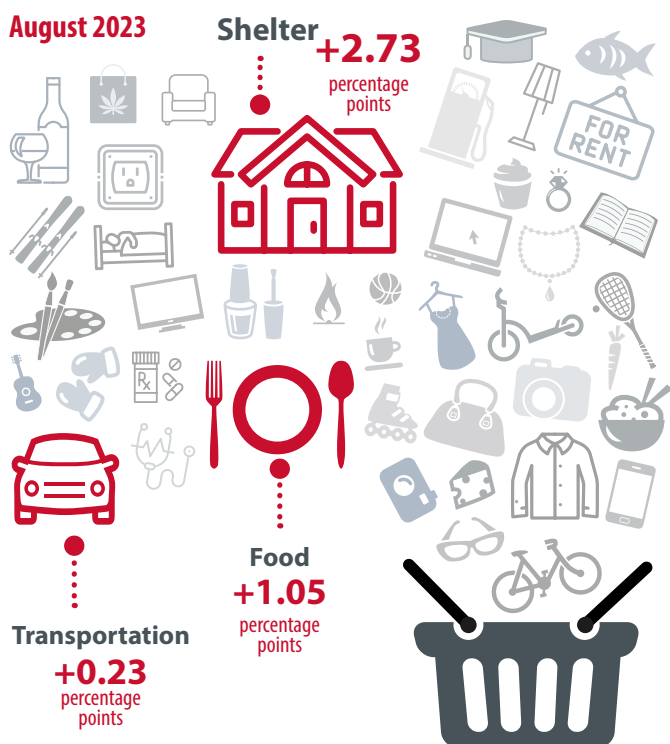
Headline inflation is up to an average annual rate of 4.0 per cent nationally and 4.8 per cent in Calgary in August 2023

The headline consumer price index (CPI) in the Calgary Census Metropolitan Area (CMA) increased by 4.8 per cent over the previous twelve months in August 2023. This has been the second consecutive month for the inflation rate to trend up since June, when it reached 2.0 per cent target level only temporarily.

The Bank of Canada started its monetary policy actions over a year ago, since March 2022, through a series of policy interest rate hikes and monetary tightening efforts. It takes time for these policy actions to work their way through the economy. For example, mortgage renewals for housing take time since the common contract term is five years, delaying the full effect on housing costs. The delay is wearing off. Housing costs took the lead in pushing up the CPI in August. The costs to own accommodation in Calgary rose by an annual rate of 9.2 per cent in August, up from 8.6 per cent in July. Rental costs rose by an annual rate of 6.1 per cent in August. The impact of the Bank of Canada raising interest rates gradually over the past year will continue to filter into the national and local CPI for the next 12 months.

Major Contributors to Alberta's Inflation Rate

August 2023



Electricity prices in Alberta skyrocketed in August, driving up household energy costs

Meanwhile, electricity prices in Alberta hit all-time peaks in August. This was because provincial rebate programs had expired, and re-payment periods for some customers had begun. Overall household costs on water, fuel and electricity in Alberta skyrocketed by an annual rate of 30.5 per cent in August. Most of the increase was due to increased electricity costs, which spiked to an average annual rate of over 120 per cent this summer. Food inflation peaked in November 2022, with annual rates of inflation nearing 11 per cent. Food prices have continued to rise but at a slower pace recently, with annual inflation rates softening to 6.2 per cent provincially. Also rising at an average annual rate of 6.2 per cent in August were health and personal care costs in Alberta.

There was some relief at the pumps, with gasoline prices falling before the summer and continuing a slow decline in August by a modest 3.5 per cent drop year-over-year, though gas prices remain about 40 per cent above where they were only three years ago. Natural gas prices have recently softened to about \$2.0/GJ this summer, compared to above \$6.0/GJ last summer. Current expectations from the Alberta Energy Regulator are that natural gas prices will hover around \$3.0/GJ this winter, compared to about \$5.0/GJ last winter.

Inflation Rates

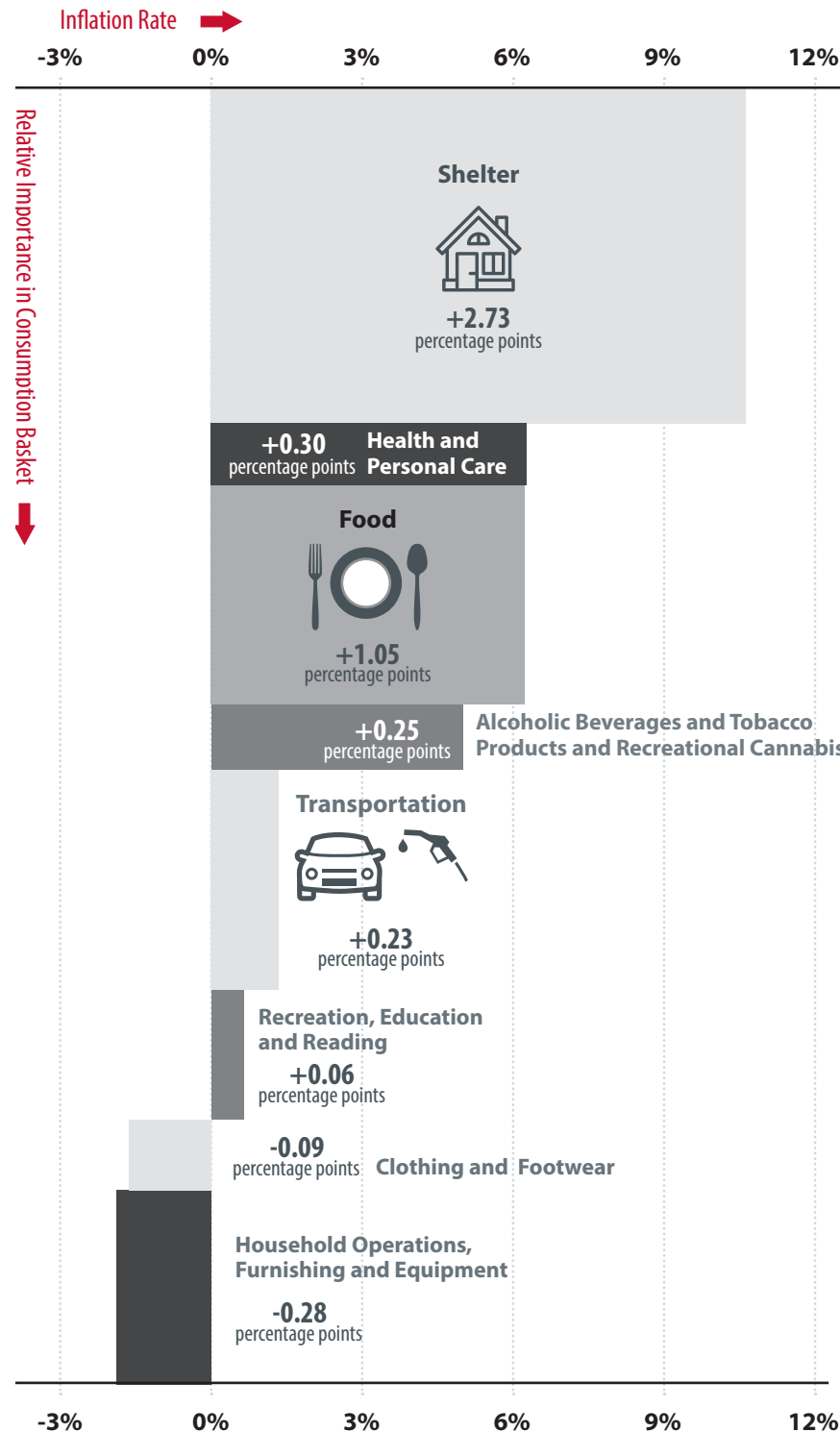
	Relative Importance (%) *	Year-over-year (%)			Year-to-Date Average (%)
		Aug-23	Jul-23	Jun-23	
Calgary: All-items	100.00	4.8	3.4	2.0	4.0
Shelter	25.89	12.2	9.0	5.4	6.1
Rented accommodation	5.91	6.1	5.0	7.0	6.1
Owned accommodation	16.14	9.2	8.6	8.0	9.4
Water, fuel and electricity	3.85	30.3	15.6	-3.5	-3.3
Alberta: All-items	100.00	4.3	2.9	1.9	3.6
Alberta: All-items excluding food and energy	76.10	2.9	3.0	2.9	4.1
Canada: All-items	100.00	4.0	3.3	2.8	4.3
Canada: All-items excluding food and energy	76.57	3.6	3.4	3.5	4.3

* CPI basket weights are based on the 2022 expenditure data, modified in June 2023.

Sources: Statistics Canada, Corporate Economics, September 19, 2023.

Contribution of Consumer Items to Inflation: Alberta

August 2023



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.