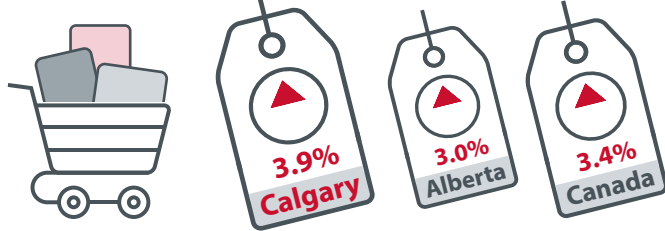


## Headline Inflation Comparison

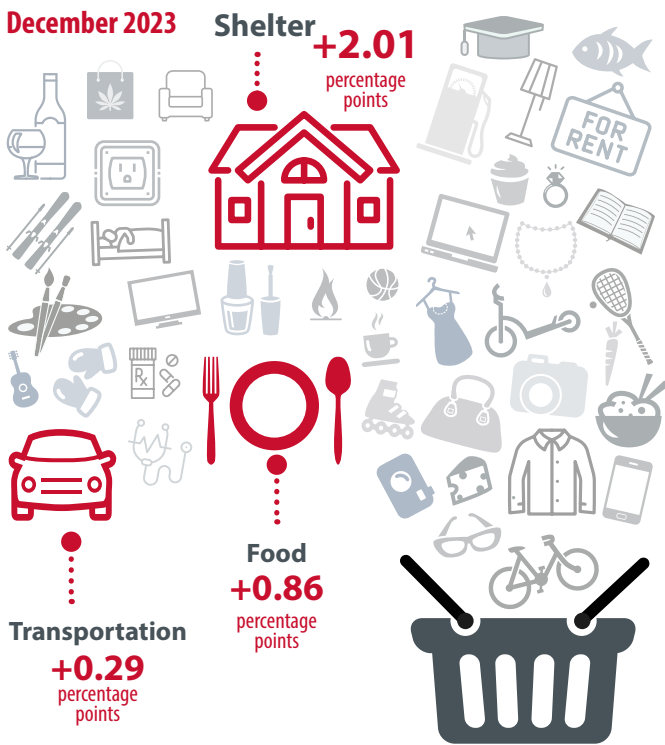
December 2023



**Headline inflation ticked up to an average annual rate of 3.9 per cent in Calgary, while the national level rose by 3.4 per cent in December 2023.**

In December 2023, the Calgary Census Metropolitan Area (CMA) reported an increase in its year-over-year Consumer Price Index (CPI) to 3.9 per cent, up from November's 2.9 per cent. In Alberta, the inflation rate saw a similar up-tick, moving from 2.5 per cent in November to 3.0 per cent in December. On a national level, the CPI rose to 3.4 per cent, up from November's 3.1 per cent, largely due to the impact of a significant reduction in the baseline gasoline prices in December 2022, a phenomenon commonly referred to as the baseline effect. Core inflation, which excludes volatile items like food and energy, also experienced an increase in Alberta to 3.0 per cent from November's rates of 2.5 per cent. However, at the national level, it dipped slightly to 3.4 per cent from 3.5 per cent in November.

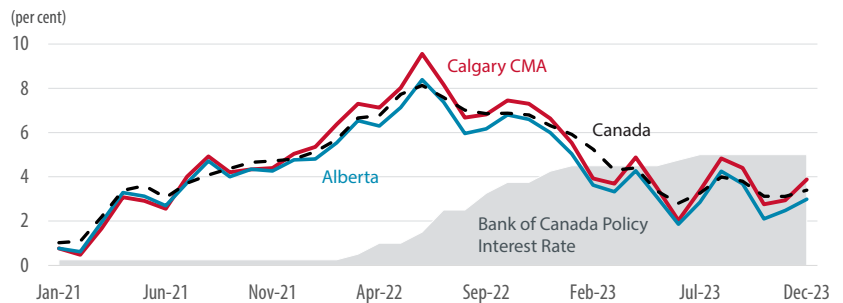
## Major Contributors to Alberta's Inflation Rate



**2023 saw significant drop in average inflation rates in Calgary and Canada.**

With the December figures now available, the average headline inflation rates in 2023 for Calgary, Alberta, and Canada were recorded at 3.8 per cent, 3.3 per cent, and 3.9 per cent, respectively. These rates show significant decreases from the 2022 rates of 7.2 per cent, 6.5 per cent, and 6.8 per cent, respectively, as illustrated in the figure below. This decline in inflation is primarily attributed to contractionary monetary policies, including three key interest rate hikes in January, June and July, with rates peaking at 5.0 per cent—the highest since 2001. These heightened interest rates, combined with improvements in the supply chain, have been effective in moderating the high inflation that persisted since 2021.

**Inflation Rates vs. Bank of Canada Policy Interest Rate (Jan 2021 - Dec 2023)**



Another key driver of this change was the reduction in energy costs, particularly gasoline prices. Additionally, as the overall inflation, especially in goods, continued to decelerate, food price inflation showed signs of easing in the latter half of 2023. This trend led to inflation rates of 4.3 per cent in the first half and 3.4 per cent in the second half of last year. However, despite these positive trends, core inflation, excluding volatile items like energy and food, remained persistently high. In particular, shelter costs were the most significant contributor to this inflationary pressure in Alberta, accounting for about 1.7 per cent of the overall inflation on average in 2023. As we move into 2024, these sustained high levels of core inflation continue to pose a challenge in reaching the Bank of Canada's target inflation rate of 2 per cent.

## Inflation Rates

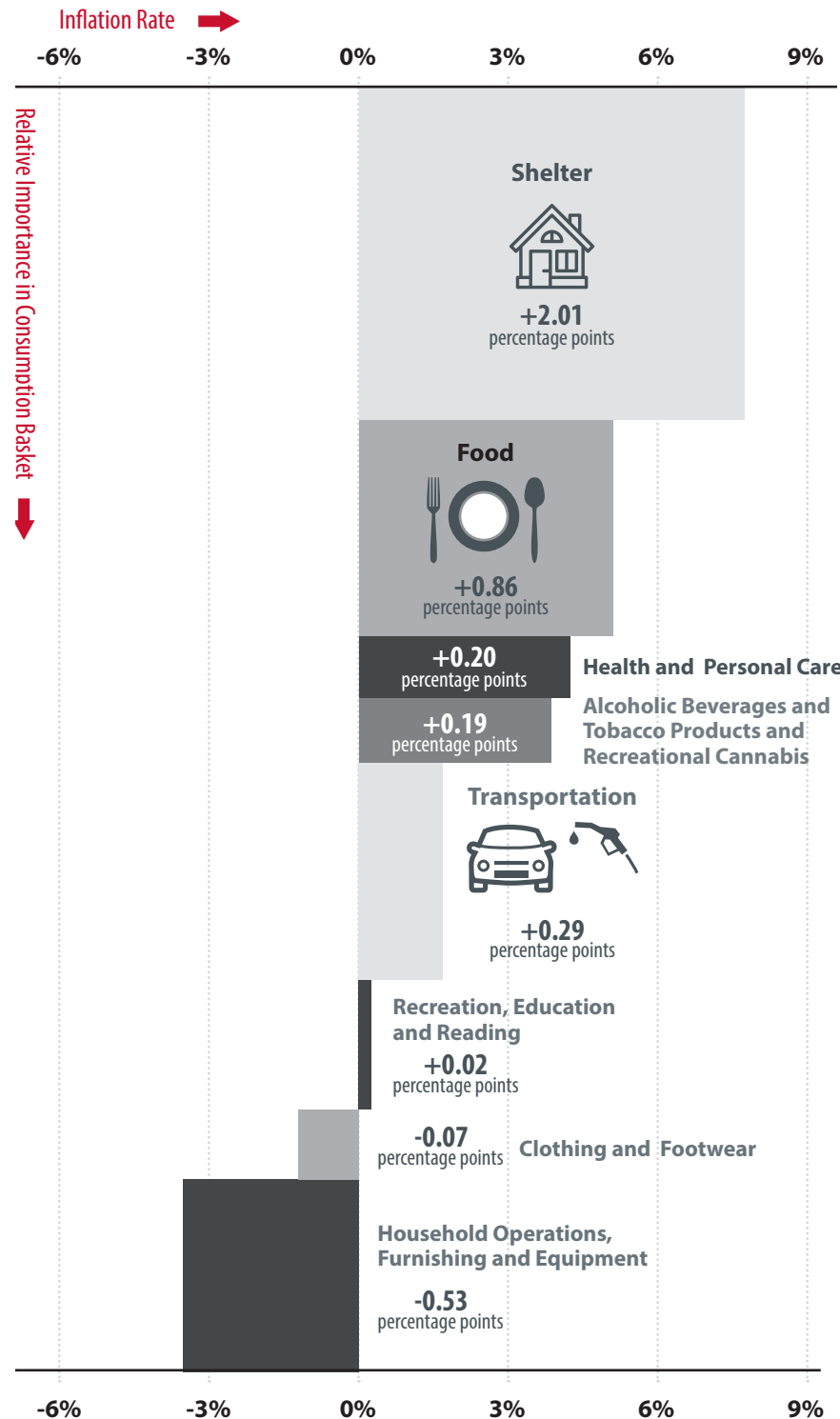
	Relative Importance (%) *	Year-over-year (%)			2023 Average (%)
		Dec-23	Nov-23	Oct-23	
Calgary: All-items	100.00	3.9	2.9	2.8	3.8
Shelter	25.89	10.2	9.6	10.3	8.2
Rented accommodation	5.91	18.4	10.8	11.7	8.3
Owned accommodation	16.14	9.6	9.6	9.6	9.8
Water, fuel and electricity	3.85	2.3	8.4	11.1	3.2
Alberta: All-items	100.00	3.0	2.5	2.1	3.3
Alberta: All-items excluding food and energy	76.10	3.0	2.5	2.3	3.4
Canada: All-items	100.00	3.4	3.1	3.1	3.9
Canada: All-items excluding food and energy	76.57	3.4	3.5	3.4	3.9

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

Sources: Statistics Canada, Corporate Economics, January 16, 2024.

### Contribution of Consumer Items to Inflation: Alberta

December 2023



Sources: Statistics Canada, Corporate Economics, January 16, 2024.

Next release: February 20, 2024

### 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.