

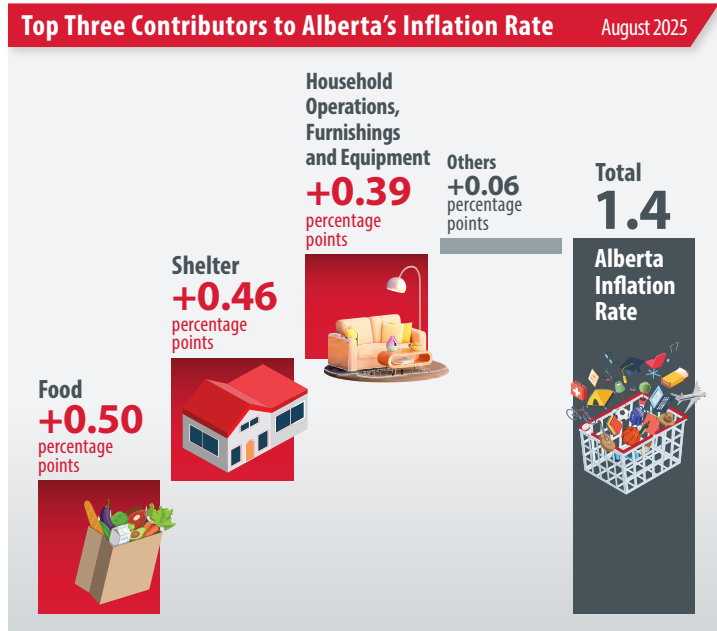
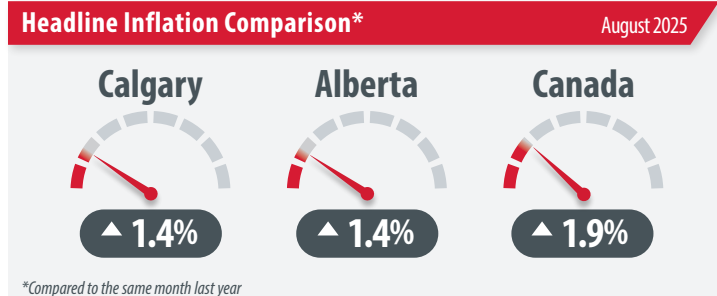
Inflation Review

August 2025

Hotaka Kobori Associate Economist | Estella Scruggs Senior Corporate Research Analyst

September 16, 2025

HIGHLIGHTS



The total contribution of each product component may not exactly add up to the overall inflation figure due to rounding.

Inflation Rates

	Relative Importance (%) [*]	Aug-25	Year-over-year (%) Jul-25	Jun-25
Calgary: All-items	100.00	1.4	1.3	1.9
Shelter	28.73	1.9	2.9	3.5
Rented accommodation	6.12	2.6	4.8	3.9
Owned accommodation	19.12	3.3	3.8	4.7
Water, fuel and electricity	3.48	-7.5	-5.8	-3.7
Alberta: All-items	100.00	1.4	1.3	1.7
Alberta: All-items excluding food and energy	78.28	2.6	2.6	2.9
Canada: All-items	100.00	1.9	1.7	1.9
Canada: All-items excluding food and energy	77.26	2.4	2.5	2.6

* CPI basket weights are based on the 2024 expenditure data, modified in June 2025.
Sources: Statistics Canada, Corporate Economics, September 16, 2025.

Calgary's overall inflation rate was 1.4 per cent in August 2025, while national rate edged up to 1.9 per cent

In August 2025, the Consumer Price Index (CPI) for the Calgary Census Metropolitan Area (CMA) rose 1.4 per cent year-over-year (YoY), up slightly from 1.3 per cent in July. Alberta's inflation rate also edged up to 1.4 per cent from 1.3 per cent in July, while Canada's overall inflation increased to 1.9 per cent from 1.7 per cent. In Alberta, food prices rose faster than in the previous month, while travel services and fresh fruit offset some of those gains. Passenger vehicle insurance premiums increased 4.9 per cent month-over-month (MoM) and 13.7 per cent YoY, the highest rate in the country and the largest MoM increase since January 2020.

The removal of consumer carbon taxes in April 2025 continues to suppress the headline inflation figure, although the decline in gasoline prices was smaller in August than in July. In Alberta, gasoline prices fell 15 per cent YoY, reducing the headline inflation rate by 0.7 percentage points. However, inflation excluding more volatile components such as food and energy remained at 2.6 per cent, unchanged from July. The next Bank of Canada policy interest rate announcement is scheduled for September 17, 2025.

Calgarians' perception of inflation vs. actual inflation

Evidence-based policy making should rely on objective data. Yet many economic decisions are shaped more by people's perceptions than by official statistics. For example, recent Bank of Canada surveys show that households and businesses are cutting back on spending and investment due to trade-related uncertainty^{1,2}. Economists refer to this divergence between official statistics and perceptions of the economy as the "sentiment gap," which has become increasingly common in developed countries since COVID-19³. Policy making therefore needs to account for both sides of economic measurement and remain mindful of any gap between perception and official indicators. While this monthly Inflation Review focuses on the latter, surveys of Calgarians provide a glimpse into the former.

Since June 2024, [The City's Economic Perspectives survey](#) has gauged Calgarians' perception of the cost of living on a semiannual basis. According to the latest results from June 2025, 92 per cent of respondents felt that the cost of basic necessities had increased, little changed from a year earlier. This stands in contrast to the headline inflation rate, which fell from 3.6 per cent in June 2024 to 1.9 per cent in June 2025 (see Chart 1).

- <https://www.bankofcanada.ca/2025/07/business-outlook-survey-second-quarter-of-2025/>
- <https://www.bankofcanada.ca/2025/07/canadian-survey-of-consumer-expectations-second-quarter-of-2025/>
- Bolhuis, M. A., Cramer, J. N., Schulz, K. O., & Summers, L. H. (2024). *The Cost of Money Is Part of the Cost of Living: New Evidence on the Consumer Sentiment Anomaly* (No. w32163). National Bureau of Economic Research.

Several factors help explain this gap. First, the composition of the CPI basket differs from the “basic necessities” highlighted in the survey (such as rent or mortgage, utilities, food, and clothing). In Alberta, those items together account for 30 per cent the CPI basket. By contrast, CPI also includes discretionary items such as furniture and recreation.

Differences in expenditure patterns across households also contribute to the gap. Renters, who are more sensitive to rent increases, make up only 31 per cent of Calgary households, while homeowners, who are more affected by property taxes, account for the remaining 69 per cent⁴. In the CPI, however, rent carries about three times the weight of property taxes⁵, consistent with average household spending in Alberta of \$4,600 annually on rent compared with \$2,164 on property taxes⁶.

4 Census Profile 2021.
5 Rent’s weight is 5.99 per cent whereas property taxes and other special charges is at 2.36 per cent in Alberta as of 2024 basket weights.
6 Statistics Canada Table: 11-10-0222-01.

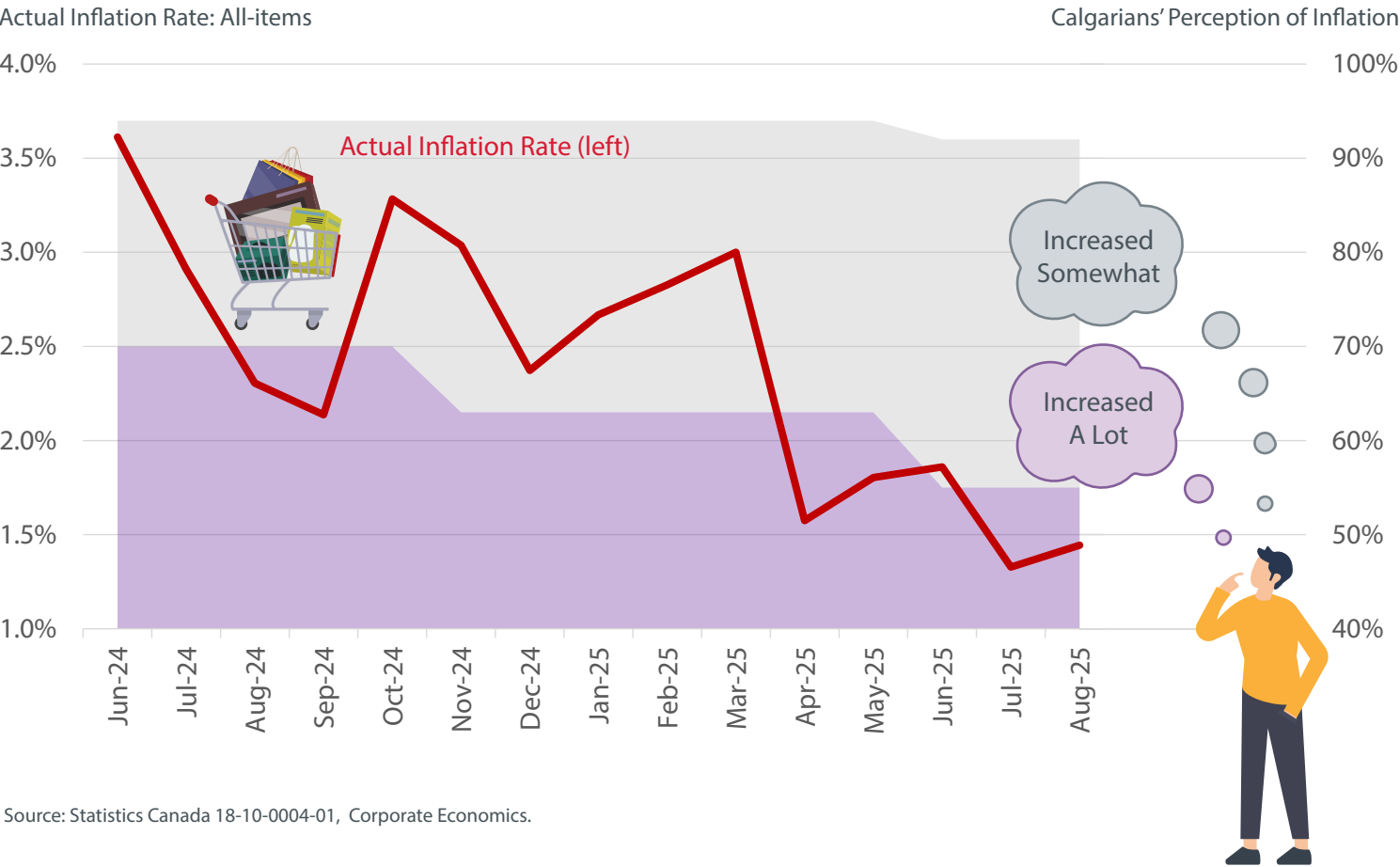
Research shows other reasons why perceived inflation often runs higher than measured inflation⁷. These include how housing costs are captured in the CPI and how quality adjustments are made for technological improvements.

Psychological factors also play a role. Consumers tend to be more sensitive to sharp price increases than to equivalent declines, as seen with gasoline prices this year. Frequency of purchase also influences perception: people notice increases in everyday items such as coffee more than in infrequent purchases like furniture, even though the latter carries greater weight in the CPI.

At a more detailed level, the share of respondents who said costs “increased a lot” has been steadily declining, which aligns with the easing trend in the CPI. The Inflation Review will continue to monitor this sentiment gap to better gauge the lived economic reality of Calgarians amid ongoing uncertainty.

7 Keshishbanoosy, R. (2022). *Consumer Price Index and Inflation Perceptions in Canada: Can Measurement Approaches or Behavioural Factors Explain the Gap?*.

Chart 1: Calgarians’ Perception of Inflation vs. Actual Inflation
(June 2024 - August 2025)

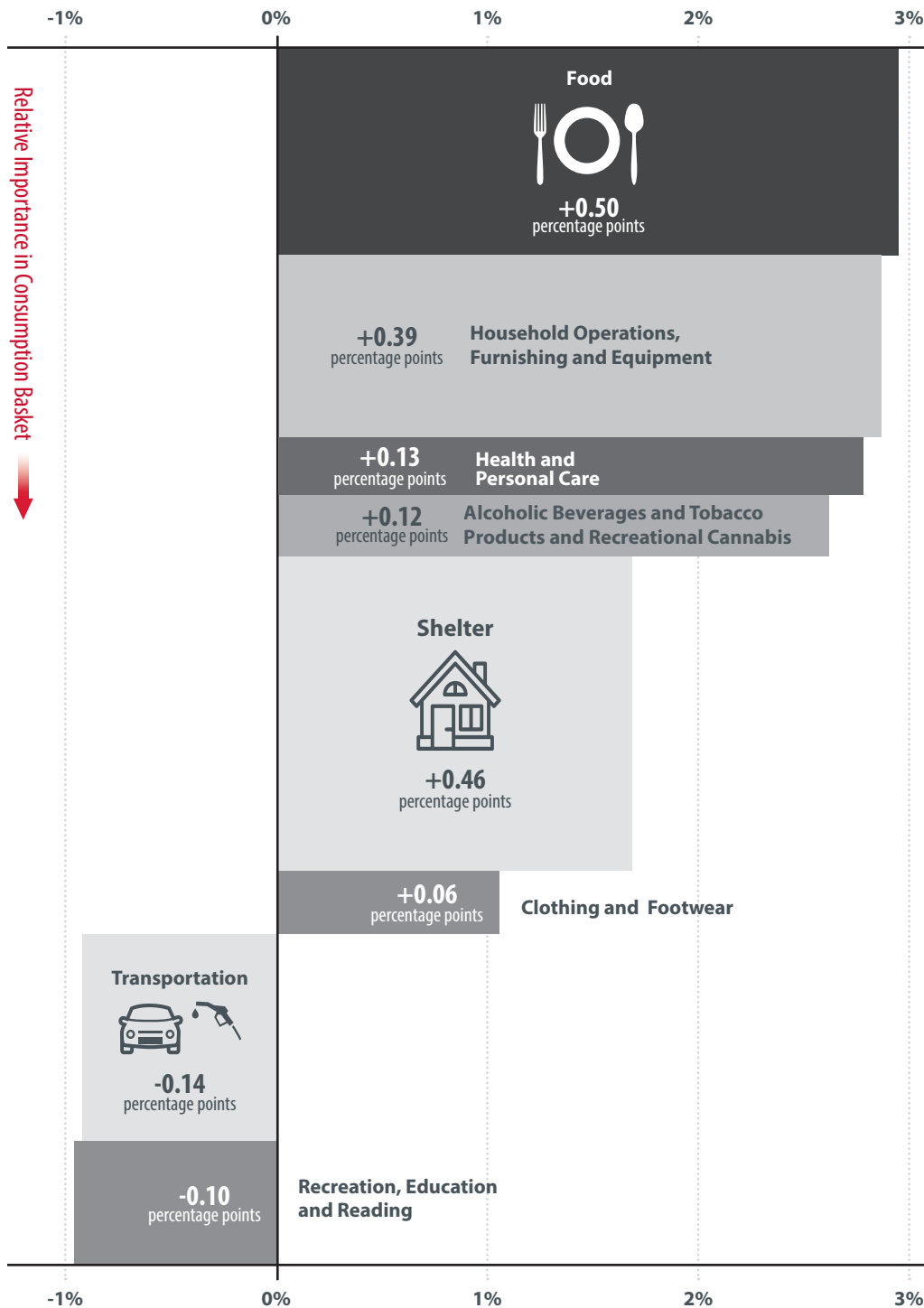


Source: Statistics Canada 18-10-0004-01, Corporate Economics.

Contribution of Consumer Items to Inflation: **Alberta**

August 2025

Inflation Rate →



The calculation for contribution incorporates the effects of changes in basket weight. The total contribution of each product component may not exactly add up to the overall inflation figure due to rounding.

Sources: Statistics Canada, Corporate Economics, September 16, 2025.

Next release: October 21, 2025

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

For the technical questions, please contact:

Stanley Kongnetiman
Manager, Corporate Economics
City Economist
stanley.kongnetiman@calgary.ca

Hotaka Kobori
Associate Economist
hotaka.kobori@calgary.ca

Estella Scruggs
Senior Corporate Research Analyst
estella.scruggs@calgary.ca

Many of our publications are available on the internet at
www.calgary.ca/economy.

The City of Calgary provides this information in good faith. However, the aforementioned organization makes no representation, warranty or condition, statutory express or implied, takes no responsibility for any errors and omissions which may be contained herein and accepts no liability for any loss arising from any use or reliance on this report.

Sources:
Bank of Canada, Statistics Canada,
Corporate Economics