

Calgary's Consumer Prices Rising Moderately in April 2010

Inflation pressures remained subdued in Calgary so far this year

Canadian headline CPI increased by 1.8 per cent in April 2010 compared to a year ago. The year-over-year increases of consumer prices in Alberta and Calgary were 1.6 per cent and 1.3 per cent respectively. The slack job market and excess capacity offset some of the increase in demand for goods and services in Calgary, which causes inflationary pressures to remain at a moderate level in the first half of 2010.

Canadian dollar appreciation exerts downward pressure on inflation

The Canadian dollar has appreciated an average of more than 20 per cent since March 2009. In April 2010, the loonie once reached parity against the US dollar which represents a 16 per cent appreciation from 2009 levels. According to the Purchasing Power Parity (PPP) theory, the appreciation of the Canadian dollar should bring some disinflationary pressures on domestic prices. The graph below shows the correlation between the exchange rate and core inflation in Canada, indicating that after a lag of three to six months, the currency movement will feed into commodity prices. Costs of inputs and intermediate goods

have also decreased significantly for producers due to the ascent in the Canadian dollar. The lower costs will be passed on to the final prices paid by consumers later this year.

Major contributors to Calgary's 12-month-moving-average inflation

Shelter: Shelter costs fell by 3.4 per cent in April 2010, which offset 0.94 per cent of Calgary's overall inflation. Low mortgage interest rates and natural gas prices still were the major causes in reducing shelter costs.

Food: The 12-month-moving-average prices for food advanced by 2.6 per cent, following a 3.1 per cent increase in March. The contribution of food prices to the Calgary's overall inflation was 0.4 per cent in April.

Transportation: Transportation prices decreased by 1.7 per cent in April 2010, which offset 0.33 per cent of overall inflation in Calgary. The 12-month-moving-average prices of transportation will soon turn positive as the drop of energy prices last year fall out of the calculation.

Next release: June 22, 2010

Inflation Rates

(12-Month-Moving-Average or average inflation rate for the past 12 months)

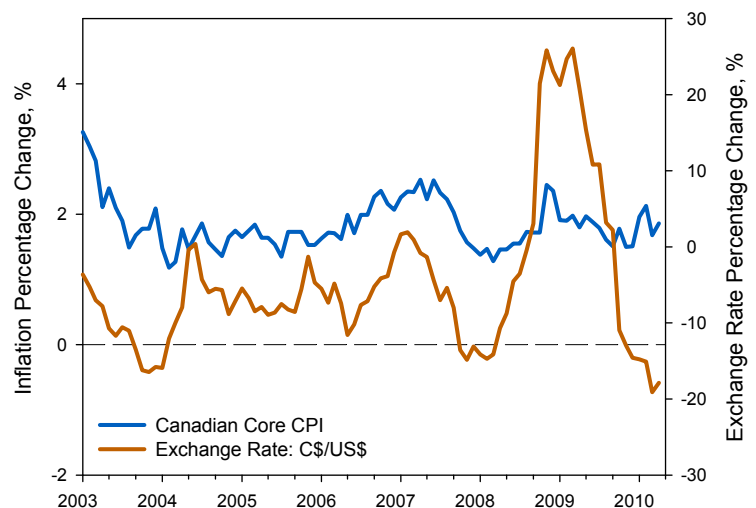
	Relative Importance (%) [*]	Apr-10 (%)	Mar-10 (%)	Apr-09 (%)
Calgary: All-items	100	(0.1)	(0.2)	2.6
Calgary: All-items excluding food and energy	75.2	1.3	1.7	1.7
Food	15.5	2.6	3.1	5.7
Shelter	27.7	(3.4)	(3.5)	5.4
Owned accommodation	17.9	(0.6)	(0.5)	4.6
Water, fuel and electricity	5.6	(18.7)	(19.7)	9.7
Household operations, furnishing and equipment	11.4	2.1	2.3	1.2
Clothing and footwear	5.2	(0.1)	(0.1)	(1.4)
Transportation	19.5	(1.7)	(2.7)	(0.9)
Gasoline	4.5	(10.0)	(13.0)	(1.0)
Health and personal care	4.5	5.8	5.5	2.4
Recreation, education and reading	12.9	1.8	1.7	(0.0)
Alcoholic beverages and tobacco products	3.3	4.4	4.2	1.9
Alberta: All-items	100	0.0	(0.2)	2.4
Alberta: All-items excluding food and energy	75.2	1.3	1.3	1.6
Canada: All-items	100	0.5	0.4	2.1
Canada: All-items excluding food and energy	73.6	1.1	1.1	1.2

Source: Statistics Canada, Corporate Economics, May 2010

^{*} 2005 CPI basket weights at April 2007 prices, Alberta and Canada, effective May 2007

Figures in red and parentheses indicate negative.

Canadian Core Inflation and Exchange Rate vs. US Dollar (year-over-year changes)



Source: Statistics Canada, Federal Reserve Economic Data, Corporate Economics, May 2010

Calgary's Monthly Inflation Review: April 2010

Who We Are

Over the past ten years Corporate Economics has researched dozens of economic topics and developed reliable methods of forecasting and analysis. Monitoring economic trends allows us to develop unique insights on how external events are impacting the local economy and the Municipal Corporation. We provide services in four areas: forecasting, information provision, consulting and policy analysis.

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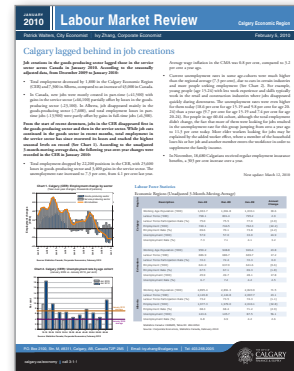
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Many of our publications are available on the internet at www.calgary.ca/economy.

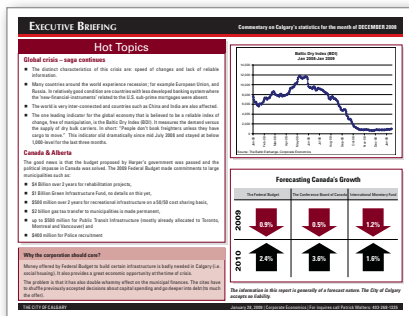
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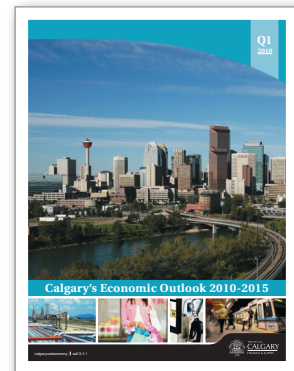
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Corporate Research Analyst: Estella Scruggs

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Source: Statistics Canada, Bank of Canada