

Slower Pace of Inflation with Gradual Normalization of Interest Rates in June

Consumer Price Index softened in Q2 2010

The Canadian headline inflation rate increased moderately by 1.0 per cent in June 2010 compared to a year ago, due to weakening energy prices, cooling housing prices and normalization of monetary and fiscal policies. The increases of consumer prices in Alberta and Calgary were 0.6 and 0.7 per cent respectively in June compared to the same period last year, the lowest levels in the first six months of 2010.

Y-o-y inflation in Calgary lower than national average

The Bank of Canada (BoC) raised its target rate by 0.25 per cent to 0.75 per cent on July 21st following the rate hike in June this year. The tightening in monetary policy, together with the withdrawal of fiscal stimulus and slowing down of economic growth in the second half of 2010, will maintain inflation within the BoC target of 2 per cent. Inflationary pressures earlier this year caused by transitory factors including the Olympics have eased and limited impact on consumer prices in Calgary. The implementation of Harmonized Sales Tax (HST) in Ontario and British Columbia starting from July would boost the Canadian

headline CPI by 0.4 per cent, but it should have minimal effects on the consumer prices in Calgary and Alberta. Therefore we expect the year-over-year inflation in Calgary to continue to be lower than the national average for 2010.

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

Shelter: Shelter costs dropped by 2.4 per cent in June 2010, which lowered Calgary's overall inflation by 0.67 per cent. Lower costs of water, fuel and electricity, as well as mortgage costs were still the major drivers.

Food: The 12-month-moving-average prices for food increased by 1.7 per cent, which contributed 0.26 per cent to Calgary's overall inflation in June.

Transportation: Transportation prices decreased by 0.2 per cent in June 2010, which offset 0.04 per cent from the overall inflation in Calgary. The 12-month-moving-average of transportation prices will turn positive in Calgary next month.

Next release: August 20, 2010

Inflation Rates

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

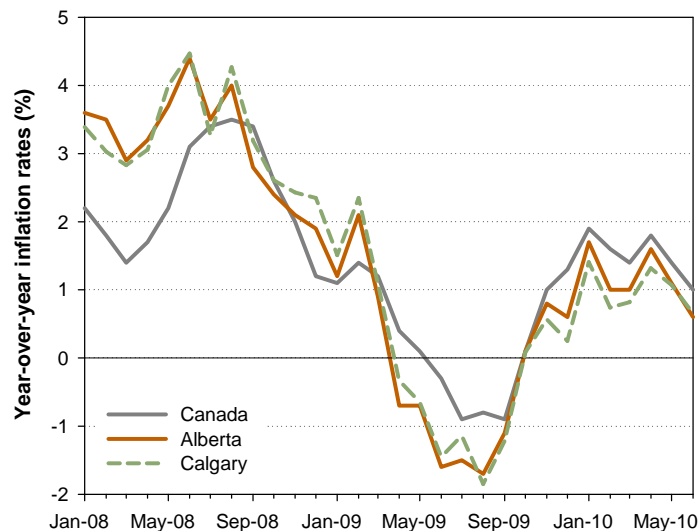
	Relative Importance (%) [*]	Jun-10 (%)	May-10 (%)	Jun-09 (%)
Calgary: All-items	100	0.2	0.0	1.7
Calgary: All-items excluding food and energy	75.2	0.7	0.3	1.7
Food	15.5	1.7	2.1	6.3
Shelter	27.7	(2.4)	(3.0)	2.6
Owned accommodation	17.9	(0.6)	(0.7)	3.5
Water, fuel and electricity	5.6	(12.6)	(16.4)	(2.0)
Household operations, furnishing and equipment	11.4	1.6	1.8	1.7
Clothing and footwear	5.2	(0.1)	0.0	(0.9)
Transportation	19.5	(0.2)	(0.8)	(2.5)
Gasoline	4.5	(4.9)	(7.0)	(9.2)
Health and personal care	4.5	6.1	6.0	2.7
Recreation, education and reading	12.9	1.7	1.7	0.0
Alcoholic beverages and tobacco products	3.3	3.1	3.7	2.7
Alberta: All-items	100	0.3	0.2	1.5
Alberta: All-items excluding food and energy	75.2	1.1	1.2	1.5
Canada: All-items	100	0.7	0.6	1.7
Canada: All-items excluding food and energy	73.6	1.0	1.0	1.2

Source: Statistics Canada, Corporate Economics, July 2010

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

Figures in red and parentheses indicate negative.

Canada, Alberta and Calgary:
Year-over-year inflation rates
(January 2008 - June 2010, per cent)



Sources: Statistics Canada & Corporate Economics, July 2010

Calgary's Monthly Inflation Review: June 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.

For more information, please contact:

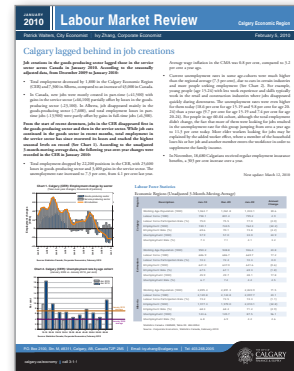
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Many of our publications are available on the internet at www.calgary.ca/economy.

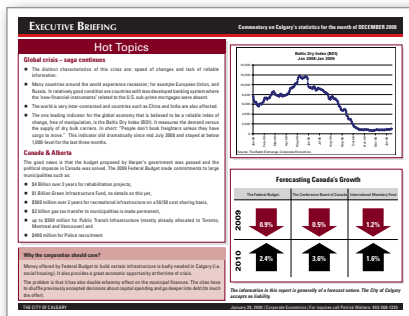
Monthly
Energy Markets and
the Economy



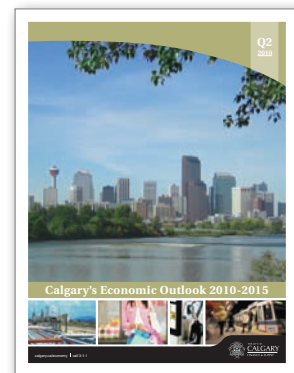
Monthly
Review of Economic Trends



Commentary
Executive Briefing



Quarterly
Calgary's Quarterly Economic
Outlook



Corporate Research Analyst: Estella Scruggs

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Source: Statistics Canada, Bank of Canada