

Inflation Review

Patrick Walters, City Economist | Wendy Fan, Corporate Economist

June 29, 2011

Calgary's Inflation Trended Up at Slower Pace in May 2011

Canadian headline inflation gathered momentum with higher gasoline prices

Canada's headline inflation was estimated at 3.7 per cent in May 2011 on annual basis, which is the highest since March 2003. Higher gasoline prices were the major driver for CPI increases. Consumer prices rose by 2.8 per cent in Alberta and 2.4 per cent in Calgary respectively compared to a year ago. The inflation rate in Calgary was the lowest in the country in May.

Mild core inflation put the BoC's monetary tightening on hold in May

The core inflation in May advanced 1.8 per cent year over year, following a 1.6 per cent gain in April. Although headline inflation spiked driven by high energy and food costs, the core CPI still remained largely muted as a strong Canadian dollar tempered prices for imported goods. Also, the economic slack constrained producers' pricing power and workers' salary bargaining power. With food and fuel prices stabilizing, the output gap will gradually close which should exert upward pressure on core inflation but the impact should be limited

in the short term. The Bank of Canada (BoC) remained on hold on interest rate adjustment on May 31st, 2011, which is the sixth pause after three consecutive policy rate increases in mid-2010. Given the slowdown in domestic and global growth in Q2, and the elevated risks from the eurozone, the restart of monetary tightening is expected to happen later this year.

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

Transportation: Transportation costs advanced 3.1 per cent in May, which added 0.40 per cent to the overall inflation in Calgary. Consumers paid 8.8 per cent more for gasoline, the largest increase since February 2009.

Shelter: Consumers in Calgary paid 1.2 per cent more on shelter in May 2011. The costs of water, fuel and electricity went up by 5.9 per cent. Shelter costs contributed 0.33 per cent to the overall inflation in Calgary.

Food: Food prices rose 1.6 per cent for the 12-month-moving-average in May, which contributed 0.25 per cent to Calgary's overall inflation.

Next release: July 22, 2011

Inflation Rates

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

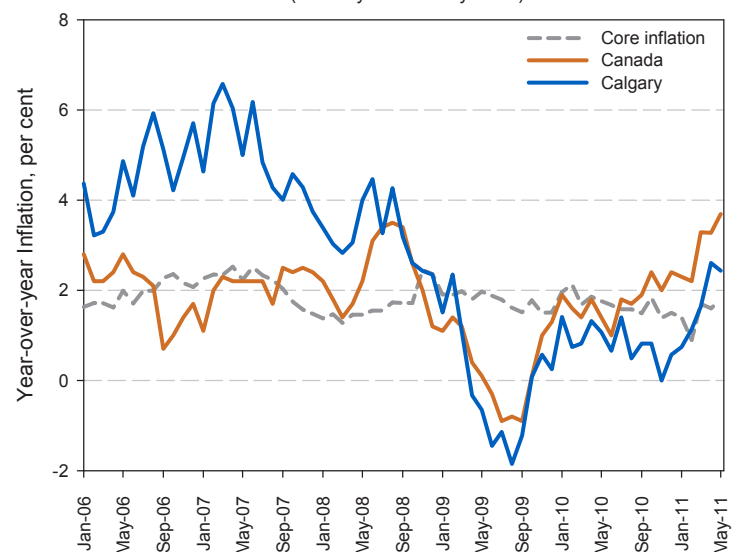
	Relative Importance (%) [*]	May-11 (%)	Apr-11 (%)	May-10 (%)
Calgary: All-items	100	1.1	1.0	(0.1)
Calgary: All-items excluding food and energy	75.2	0.5	0.5	1.3
Food	15.5	1.6	1.3	2.6
Shelter	27.7	1.2	1.1	(3.4)
Owned accommodation	17.9	1.0	0.8	(0.6)
Water, fuel and electricity	5.6	5.9	5.4	(18.7)
Household operations, furnishing and equipment	11.4	0.1	0.2	2.1
Clothing and footwear	5.2	(2.4)	(2.1)	(0.0)
Transportation	19.5	3.1	2.8	(1.7)
Gasoline	4.5	8.8	6.9	(10.0)
Health and personal care	4.5	3.1	3.3	5.8
Recreation, education and reading	12.9	(0.4)	(0.5)	1.8
Alcoholic beverages and tobacco products	3.3	0.2	(0.1)	4.4
Alberta: All-items	100	1.3	1.2	0.0
Alberta: All-items excluding food and energy	75.2	0.6	0.6	1.3
Canada: All-items	100	2.3	2.1	0.5
Canada: All-items excluding food and energy	73.6	1.5	1.4	1.1

Source: Statistics Canada, Corporate Economics, June 2011

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

Figures in red and parentheses indicate negative.

Year-over-year Headline and Core Inflation in Canada
(January 2006 - May 2011)



Source: Statistics Canada & Corporate Economics, June 2011.



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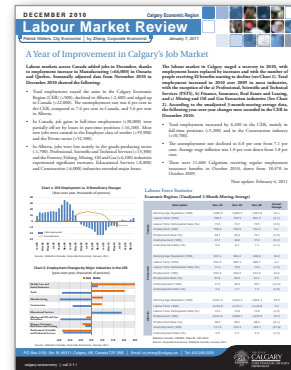
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Many of our publications are available on the internet at www.calgary.ca/economy.

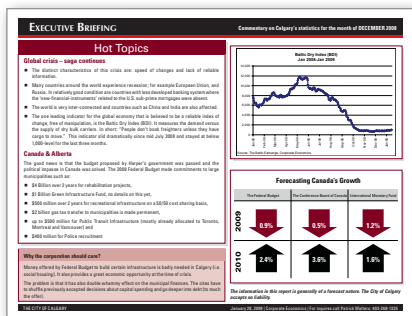
Monthly
Energy Markets and
the Economy



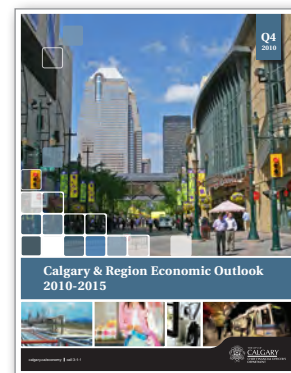
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Corporate Research Analyst: Estella Scruggs

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Sources: Statistics Canada, Bank of Canada and Corporate Economics.

