

Inflation Review

Patrick Walters, City Economist | Wendy Fan, Corporate Economist

November 18, 2011



Calgary's Inflation Outpaced National Average in October 2011

Higher electricity costs drove up inflation in Alberta and Calgary

Canada's headline inflation advanced 2.9 per cent in October 2011 on an annual basis, easing from a 3.2 per cent increase in September. Consumer prices increased 3.4 per cent in Alberta and 3.3 per cent in Calgary, respectively compared to a year ago, which outpaced the national average for the first time in two years. The inflation spike in October was led by higher electricity costs. Calgarians also paid more for gasoline, food, and home and mortgage insurance.

What made our grocery baskets more expensive?

Calgarians felt rising food prices this year, as food prices rose in excess of wage increases. Lower income households were affected more given that food costs account for a bigger share of their net income. Acceleration in food commodity prices earlier this year could be attributed to increasing demand for food from emerging markets, and reduction in food stockpiles and supply, as several major grain producing regions experienced severe droughts in 2011. U.S. Midwest flooding, disruptions in Japanese fishing, and export restrictions in Russia also contributed to supply tightness. In 2012, those upward pressures should ease, and

lower energy prices should reduce farming and transportations costs. World raw food commodity inflation takes about six to nine months to pass through to Calgary's food inflation. The leveling seen in world raw food prices since the start of 2011 implies that we should expect a similar moderation in retail grocery costs in Calgary soon.

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

Shelter: In October 2011, Calgarians paid 1.6 per cent more on shelter costs, which contributed 0.44 per cent to Calgary's overall inflation. The major drivers were the utilities costs on water, fuel and electricity, which went up by 8.9 per cent in October.

Food: The 12-month-moving-average for food price advanced 2.6 per cent in October, which translated into 0.40 per cent of the overall inflation in Calgary.

Transportation: Transportation costs rose 4.6 per cent, which added 0.90 per cent to the overall inflation in Calgary. Consumers paid 18.3 per cent more for gasoline, after a 17.2 per cent increase in the previous month.

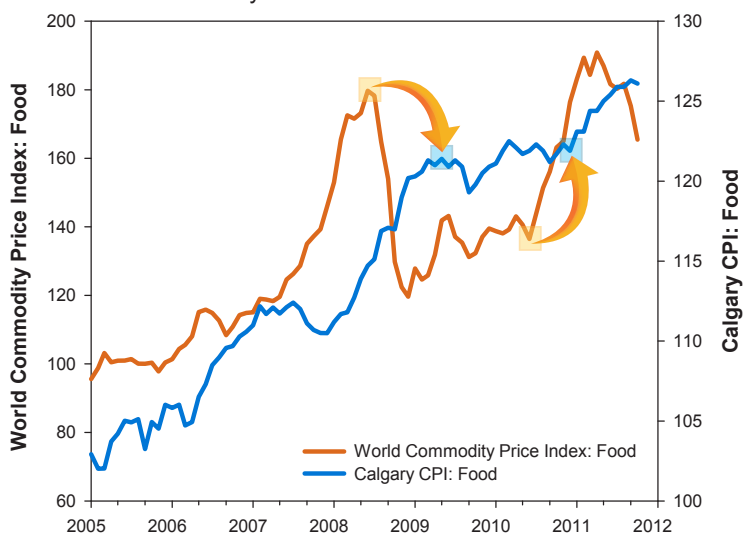
Inflation Rates

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

	Relative Importance (%)*	Oct-11 (%)	Sep-11 (%)	Oct-10 (%)
Calgary: All-items	100	1.7	1.5	0.9
Calgary: All-items excluding food and energy	75.2	0.6	0.5	0.8
Food	15.5	2.6	2.4	1.1
Shelter	27.7	1.6	1.3	(0.6)
Owned accommodation	17.9	0.8	0.8	(0.4)
Water, fuel and electricity	5.6	8.9	6.7	(1.1)
Household operations, furnishing and equipment	11.4	1.1	0.9	0.4
Clothing and footwear	5.2	(2.7)	(2.8)	(0.5)
Transportation	19.5	4.6	4.4	2.6
Gasoline	4.5	18.3	17.2	6.2
Health and personal care	4.5	2.3	2.2	5.7
Recreation, education and reading	12.9	(0.4)	(0.4)	1.2
Alcoholic beverages and tobacco products	3.3	0.9	0.8	1.4
Alberta: All-items	100	2.0	1.8	1.0
Alberta: All-items excluding food and energy	75.2	0.7	0.6	0.8
Canada: All-items	100	2.8	2.8	1.6
Canada: All-items excluding food and energy	73.6	1.6	1.6	1.2

Source: Statistics Canada, Corporate Economics, November 2011.
 * 2005 CPI basket weights at April 2007 prices, Alberta and Canada, effective May 2007
 Figures in red and parentheses indicate negative.

Calgary Food CPI Lags World Food Commodity Prices by Two to Three Quarters



Source: International Monetary Fund (IMF), Statistics Canada, and Corporate Economics, November 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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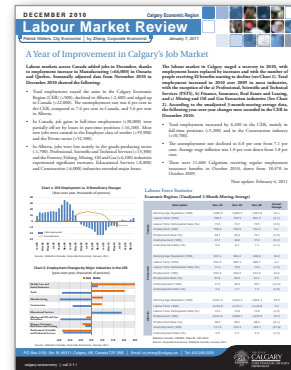
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Many of our publications are available on the internet at www.calgary.ca/economy.

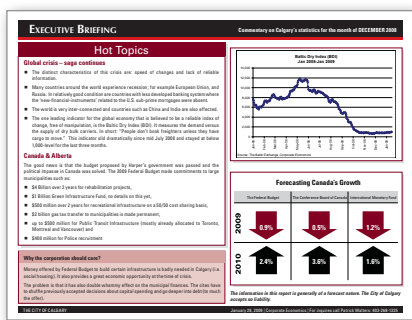
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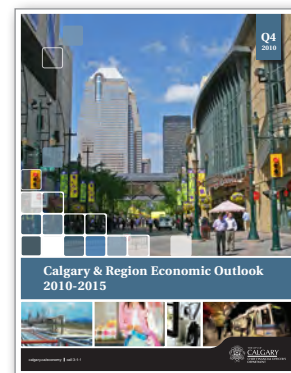
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Corporate Research Analyst: Estella Scruggs

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

