

Calgary's Inflation Propelled by Increases in Gasoline and Utility Costs in 2011

Inflationary pressures in holding patterns in December 2011

In December 2011, Canada's headline inflation increased by 2.3 per cent year-over-year. Over the same period, consumer prices advanced 2.9 per cent in Alberta and 2.8 per cent in Calgary, respectively.

For 2011 as a whole, inflation averaged 2.2 per cent in Calgary, lower than the national average of 2.9 per cent. The drivers of inflation in the past year came from the surge in retail food, gasoline and utility costs in Calgary. With the easing in commodity prices, inflationary pressures are in holding patterns right now.

Consumer prices expected to moderate in 2012

While the economy had more momentum than anticipated in the second half of 2011, the pace of growth going forward is expected to be more modest, largely due to slower growth in the external environment. Therefore, the pace of inflation should moderate in 2012. The recent easing in gasoline and food prices should be reflected in moderating inflation numbers. Moreover, employment gains have been limited, which should keep consumer spending and wage inflation soft. These factors will bring overall inflation

well under the Bank of Canada (BoC) 1 to 3 per cent target range in 2012. Thus, there should be little pressure for the BoC to lift rates in the current risk-laden economic environment. Instead, the BoC will remain focused on external risks on growth. Unless there is further significant acceleration in commodity prices, the BoC should keep its overnight rate at the current 1 per cent level.

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

Transportation: Transportation costs rose 4.9 per cent, which added 1.03 per cent to the overall inflation in Calgary. Consumers in Calgary paid 19.0 per cent more for gasoline, much higher than the national average growth rate of 7.6 per cent.

Shelter: In December 2011, Calgarians paid 2.3 per cent more on shelter costs, which contributed 0.62 per cent to Calgary's overall inflation. The major drivers were the utility costs on water, fuel and electricity, which spiked 13.6 per cent in December.

Food: The 12-month-moving-average for food price advanced 3.1 per cent in December, which translated into 0.47 per cent of the overall inflation in Calgary.

Next release: February 17, 2012

Inflation Rates

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

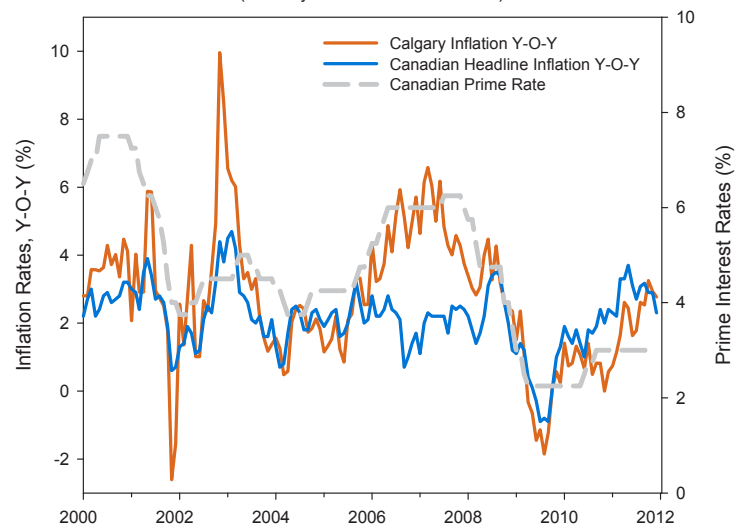
	Relative Importance (%)*	Dec-11 (%)	Nov-11 (%)	Dec-10 (%)
Calgary: All-items	100	2.2	2.0	0.8
Calgary: All-items excluding food and energy	75.2	0.7	0.6	0.6
Food	15.5	3.1	2.8	1.1
Shelter	27.7	2.3	2.0	(0.0)
Owned accommodation	17.9	0.7	0.8	0.1
Water, fuel and electricity	5.6	13.6	11.3	1.1
Household operations, furnishing and equipment	11.4	1.3	1.2	(0.1)
Clothing and footwear	5.2	(2.2)	(2.5)	(1.5)
Transportation	19.5	4.9	4.9	2.8
Gasoline	4.5	19.0	19.5	4.9
Health and personal care	4.5	2.7	2.5	4.7
Recreation, education and reading	12.9	(0.2)	(0.3)	0.6
Alcoholic beverages and tobacco products	3.3	1.0	0.9	1.0
Alberta: All-items	100	2.4	2.3	1.0
Alberta: All-items excluding food and energy	75.2	0.8	0.8	0.7
Canada: All-items	100	2.9	2.9	1.8
Canada: All-items excluding food and energy	73.6	1.6	1.6	1.3

Source: Statistics Canada, Corporate Economics, January 2012

*2009 CPI basket weights at April 2011 prices, Alberta and Canada, date modified December 2011

Figures in red and parentheses indicate negative.

Consumer Prices Year-over-year Changes and Prime Rate in Canada (January 2000 - December 2011)



Source: Bank of Canada, Statistics Canada, Corporate Economics.

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.

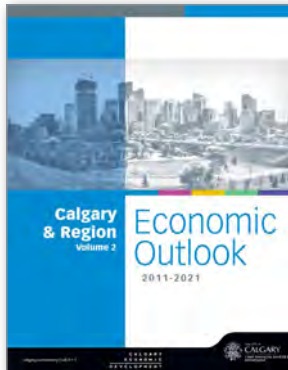
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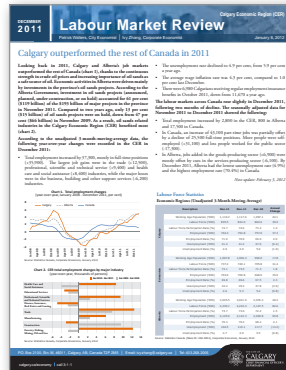
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Sources: Bank of Canada, Statistics Canada, Corporate Economics.