

Calgary's Inflation Driven Up by Utility Costs in January 2012

Calgary's year-over-year inflation higher than national average in January

In January 2012, Canada's headline inflation increased by 2.5 per cent compared to a year ago. Over the same period, consumer prices advanced 2.9 per cent in Alberta and 2.8 per cent in Calgary, respectively. The year-over-year price increases in Calgary outpaced the national average, which reflected relatively better economic activity, tighter labour market, and thus more aggressive wage growth in our local economy in the past 12 months.

Monetary policies remain intact

With the rising of downside risks to the world economy, inflationary pressures have dampened globally. Commodity prices declined in 2011, in response to weaker economic fundamentals. According to the International Monetary Fund (IMF), energy prices in 2012 are expected to remain at similar levels as the previous year. For non-energy commodities, improving supply conditions and slowing global demand are expected to cause further price declines. Food prices are expected to fall in 2012 with the rise of world food inventories. This should ease the inflationary pressures on grocery costs felt by most Calgarians.

As a result, monetary policies across advanced economies should remain in full stimulus mode. The U.S. Federal Reserve Bank has announced its intention to keep its policy rate at exceptional low levels at least through late 2014. Similarly, the Bank of Canada has paused on its rate hikes and holds its prime rate at 3 per cent.

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

Food: In January 2012, the 12-month-moving-average for food prices advanced 3.2 per cent, which translated into 0.48 per cent of the overall inflation in Calgary.

Shelter: Calgarians paid 2.7 per cent more on shelter costs, which added 0.73 per cent to the overall inflation in Calgary. The major driver was the utility costs on water, fuel and electricity, which spiked 16.9 per cent in January 2012 after rising 13.6 per cent in the previous month.

Transportation: Transportation costs advanced 4.9 per cent in January, which contributed 1.03 per cent to Calgary's overall inflation. Consumers in Calgary paid 17.9 per cent more on gasoline. Passenger vehicle insurance premiums also went up.

Next release: March 23, 2012

Inflation Rates

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

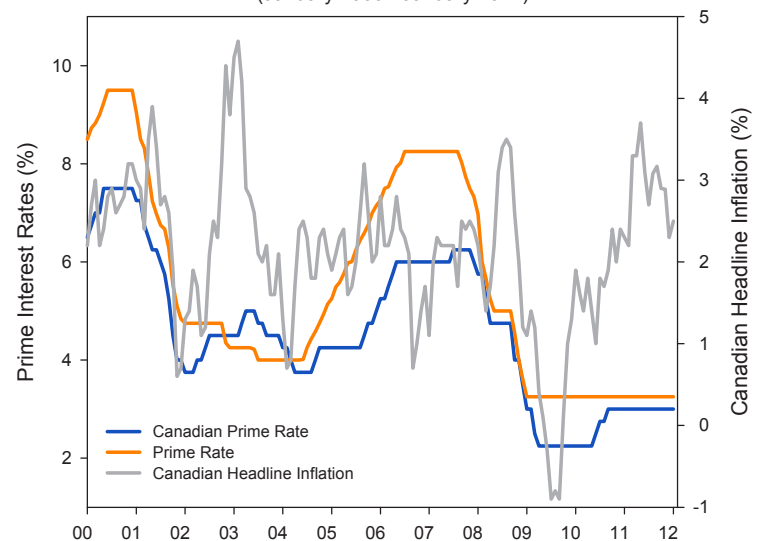
	Relative Importance (%)*	Jan-12 (%)	Dec-11 (%)	Jan-11 (%)
Calgary: All-items	100	2.3	2.2	0.8
Calgary: All-items excluding food and energy	75.2	0.7	0.7	0.6
Food	15.5	3.2	3.1	1.2
Shelter	27.7	2.7	2.3	0.1
Owned accommodation	17.9	0.7	0.7	0.3
Water, fuel and electricity	5.6	16.9	13.6	0.6
Household operations, furnishing and equipment	11.4	1.4	1.3	(0.2)
Clothing and footwear	5.2	(2.0)	(2.2)	(1.7)
Transportation	19.5	4.9	4.9	2.5
Gasoline	4.5	17.9	19.0	4.2
Health and personal care	4.5	2.8	2.7	4.3
Recreation, education and reading	12.9	(0.3)	(0.2)	0.5
Alcoholic beverages and tobacco products	3.3	1.0	1.0	0.8
Alberta: All-items	100	2.6	2.4	0.9
Alberta: All-items excluding food and energy	75.2	0.9	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, February 2012

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

Figures in red and parentheses indicate negative.

Prime Rates in Canada and the U.S. and Canadian Headline Inflation (January 2000 - January 2012)



Source: Bank of Canada, Statistics Canada, U.S. Federal Reserve Bank of St. Louis, Corporate Economics.

Who We Are

Corporate Economics provides services in four areas: forecasting, information provision, policy analysis and consulting. We also monitor the current economic trends which allows us to develop unique insights on how external events are impacting the local economy and the Municipal government. We are experienced at researching different economic topics and developed reliable methods of forecasting and analysis.

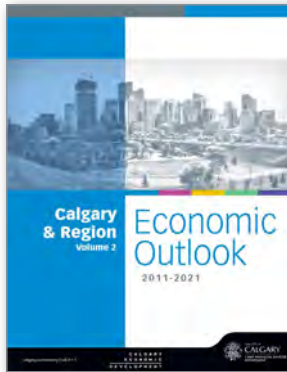
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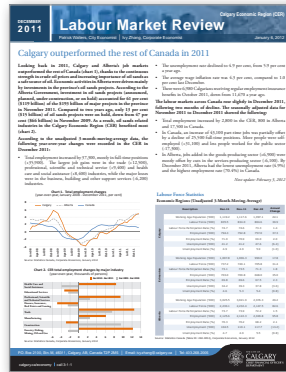
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- ▶ Calgary & Region Economic Outlook
- ▶ Energy Reports on Natural Gas and Crude Oil

Information Provision



- ▶ Labour Market Review
- ▶ Inflation Review
- ▶ Current Economic Analysis
- ▶ Construction Inflation

Policy Analysis



- ▶ A Case of Fiscal Imbalance: The Calgary Experience
- ▶ Diesel Fuel Price Pass-Through in Calgary
- ▶ Calgary Residential and Commercial Real Estate Markets

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Sources: Bank of Canada, Statistics Canada, U.S. Federal Reserve Bank of St. Louis, International Monetary Fund, Corporate Economics.

