

# Inflation Review

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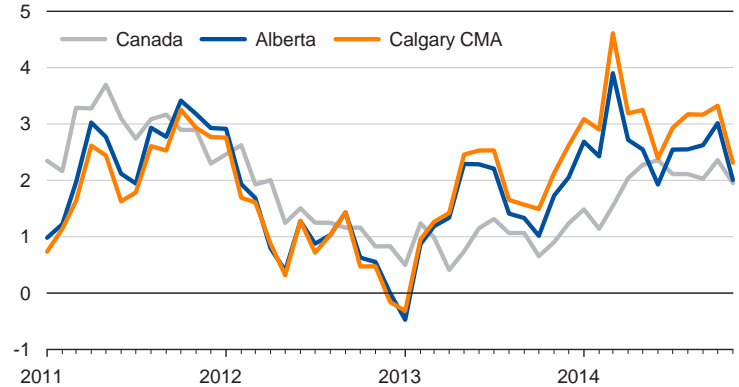
December 19, 2014

## Energy prices took a bite out of Calgary's inflation rate in November.

Calgary's annual inflation rate slowed considerably in November, falling to 2.3 per cent after coming in at 3.3 per cent in October. The ever-volatile energy component of CPI was the main culprit behind the sharp deceleration. Indeed, excluding energy the inflation rate was unchanged from October's reading of 2.6 per cent. The effects of sharply lower oil prices began to drag down gasoline prices, which fell 3.8 per cent year-over-year. Further declines will be seen in the months ahead. Shelter cost inflation slowed to 3.3 per cent in the month as electricity costs tumbled 7.9 per cent, and the annual increase in natural gas prices came in at just 2.1 per cent following a gain of 31.1 per cent in October. Conversely, food price inflation picked up to 4.2 per cent in November. The primary driver of rising food costs continues to be meat prices, which climbed 15.8 per cent year-over-year. However, the lower Canadian dollar is also likely placing upward pressure on frequently imported food products such as fruit and vegetables.

Annual inflation in the province of Alberta as a whole also decelerated in November, coming in at 2.0 per cent after rising 3.0 per cent in October. Just like in Calgary, falling energy prices were the primary catalyst for the slowing inflation rate. At the national level, Canada's all-items inflation rate fell to 2.0 per cent from 2.4 per cent. Food and natural gas prices continue to place upward pressure on the consumer price index, while gasoline

**Chart 1. Headline inflation comparison**  
(Year-over-year change, January 2011-November 2014, per cent)



Sources: Statistics Canada, Corporate Economics, December 2014

prices tumbled 5.9 per cent. The Bank of Canada's measure of core inflation receded 0.2 percentage point to 2.1 per cent in November, hovering closely to the Bank's target of 2.0 per cent.

On a year-to-date basis Calgary's inflation rate is running at 3.1 per cent. In the coming months the rate of inflation should slow as gasoline prices fall and the tenuous energy market environment adds a certain amount of slack to the city's robust economy.

*Next release: January 23, 2015*

### Inflation Rates

	Relative Importance (%)*	Year-over-year			Year-to-date		
		Nov-14 (%)	Oct-14 (%)	Nov-13 (%)	Nov-14 (%)	Oct-14 (%)	Nov-13 (%)
Calgary: All-items	100.00	2.3	3.3	2.1	3.1	3.2	1.6
Calgary: All-items excluding food and energy	76.49	2.6	2.7	1.8	2.9	2.9	1.6
Food	15.99	4.2	3.6	2.3	3.3	3.2	2.3
Shelter	26.56	3.3	5.8	4.9	5.6	5.9	3.1
Rented accommodation	5.40	3.4	3.5	3.4	3.3	3.3	3.3
Owned accommodation	16.24	4.6	4.6	4.0	5.6	5.7	2.6
Water, fuel and electricity	4.84	(1.8)	14.1	11.1	9.3	10.5	5.2
Household operations, furnishing and equipment	12.27	3.6	3.4	1.4	2.8	2.7	1.9
Clothing and footwear	5.88	(1.8)	0.1	2.5	0.8	1.1	0.6
Transportation	20.44	1.5	2.8	1.3	3.0	3.2	0.6
Gasoline	3.81	(3.8)	4.5	2.1	3.5	4.2	(0.2)
Health and personal care	4.65	1.6	0.8	(0.5)	1.2	1.2	(0.2)
Recreation, education and reading	11.37	1.2	2.4	1.0	2.3	2.4	0.7
Alcoholic beverages and tobacco products	2.83	3.7	3.5	1.7	3.6	3.6	1.4
Alberta: All-items	100.00	2.0	3.0	1.7	2.6	2.7	1.4
Alberta: All-items excluding food and energy	76.49	2.3	2.4	1.5	2.4	2.4	1.4
Canada: All-items	100.00	2.0	2.4	0.9	1.9	1.9	0.9
Canada: All-items excluding food and energy	74.85	2.0	2.0	0.7	1.6	1.5	0.8

Sources: Statistics Canada, Corporate Economics, December 2014

\* 2011 CPI basket weights at January 2013 prices, date modified March 27, 2013

Figures in red and parentheses indicate negative.

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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 have developed reliable methods of forecasting and analysis.

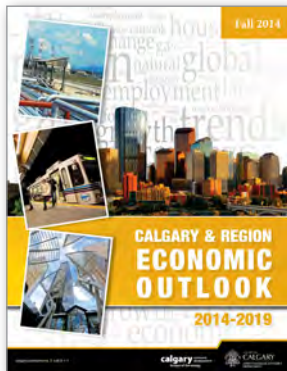
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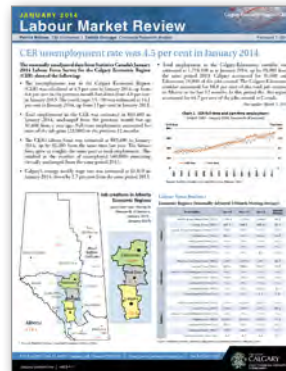
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- ▶ Energy Reports on Natural Gas and Crude Oil

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

## 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: Statistics Canada, Corporate Economics.