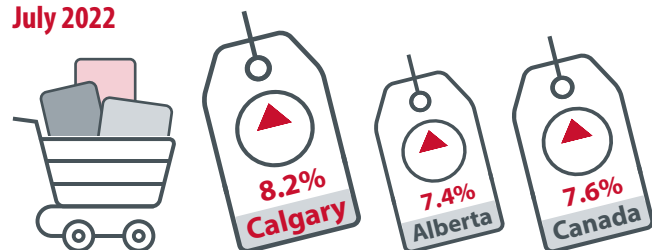


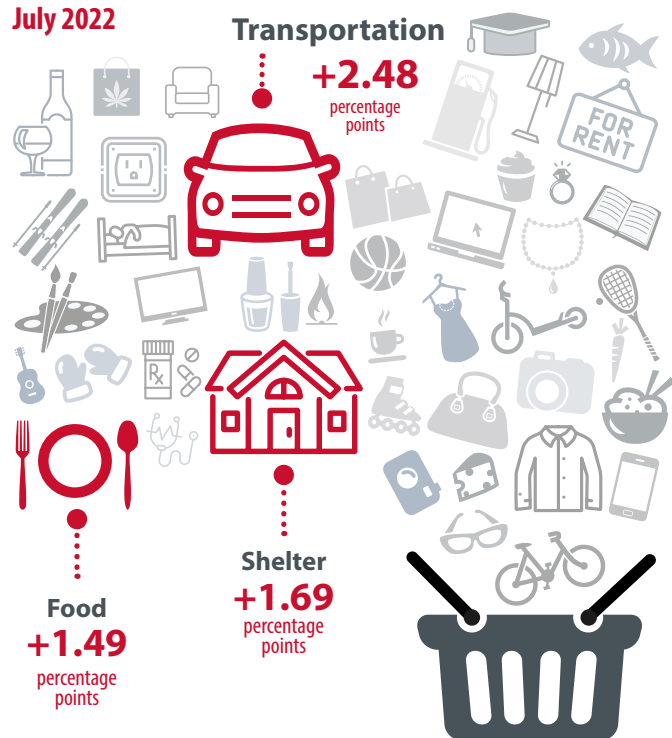
Headline Inflation Comparison

July 2022



Major Contributors to Alberta's Inflation Rate

July 2022



High inflation rate in the Calgary Census Metropolitan Area decelerated

In July 2022, the headline consumer price index (CPI) in the Calgary Census Metropolitan Area (CMA) increased by 8.2 per cent over the previous twelve months. July's inflation rate dropped following June's 9.6 per cent high. It is an encouraging sign that inflation may have finally peaked. The expectation is that it will gradually continue to moderate in the coming months. However, inflation is still far above the Bank of Canada's target rate of 2.0 per cent and also above its maximum tolerable level of 3.0 per cent. Inflation will likely remain above these levels throughout the remainder of 2022.

The deceleration in inflation in July was mostly attributable to lower energy prices. Local gasoline prices and electricity costs fell month-over-month, while natural gas prices increased only slightly since June. Supply-side factors, such as the decline in global oil prices since June, were the primary source of July's inflation deceleration. While the Bank of Canada increased interest rates sharply in July, the impact of higher interest rates on demand-side inflationary pressures will likely be more prominent in the coming months.

Overall inflation rate fell in Alberta, but food price inflation accelerated

Alberta reported year-over-year CPI inflation of 7.4 per cent in July, which was lower than Calgary's inflation rate. The inflation rate in Canada, at 7.6 per cent, was also lower than in Calgary but slightly higher than inflation in Alberta.

Alberta's inflation rate fell by 1.0 percentage points in July compared to June. The decrease was primarily caused by reduced contributions from transportation and shelter costs to overall inflation. However, price increases in both categories remain high. In July, transportation costs increased by 15.5 per cent year over year, compared to the 16.9 per cent increase in June. Alberta's year over year shelter cost inflation was down to 6.4 per cent in July from 8.7 per cent in June. Natural gas prices, a key contributor to shelter costs, still posted the highest inflation rate of all individual items. Natural gas prices increased by 54.1 per cent year over year, little changed from June's figure.

Despite the overall decrease in Alberta's July inflation rate compared to June, food price inflation accelerated. Food prices in Alberta increased by 8.4 per cent over the previous twelve months, compared to the 7.6 per cent increase reported for June. Prices for cooking oil and wheat products remained elevated due to the ongoing conflict in Ukraine, but nearly all food types contributed to higher overall grocery bills.

Year-over-year price increases were observed across all major categories in July. However, a few individual items within some categories still posted price decreases. Most notably, electricity prices fell by 18.0 per cent, reflecting the \$50 monthly rebate applied by the provincial government beginning in July. Prices also fell for children's clothing, reading material, and home entertainment equipment.

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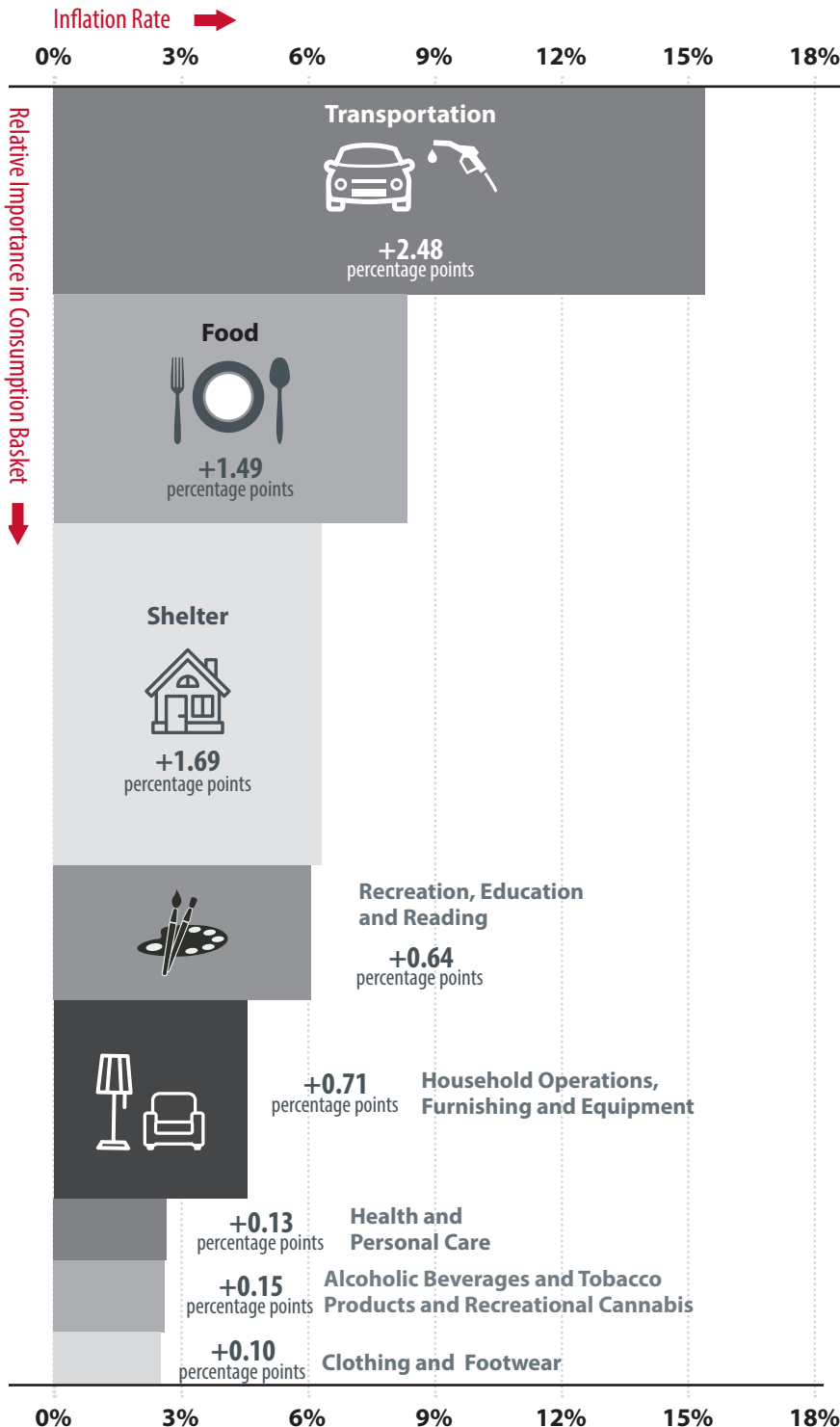
Inflation Rates

| | Relative Importance (%)* | Year-over-year (%) | | | Year-to-Date Average (%) |
|--|--------------------------|--------------------|--------|--------|--------------------------|
| | | Jul-22 | Jun-22 | May-22 | |
| Calgary: All-items | 100.00 | 8.2 | 9.6 | 8.0 | 7.4 |
| Shelter | 26.35 | 8.2 | 11.4 | 10.0 | 9.0 |
| Rented accommodation | 5.77 | 6.9 | 3.1 | 4.1 | 4.8 |
| Owned accommodation | 16.55 | 7.2 | 8.6 | 8.8 | 6.7 |
| Water, fuel and electricity | 4.03 | 12.3 | 31.5 | 21.1 | 21.1 |
| Alberta: All-items | 100.00 | 7.4 | 8.4 | 7.1 | 6.6 |
| Alberta: All-items excluding food and energy | 75.72 | 5.2 | 5.2 | 4.9 | 4.2 |
| Canada: All-items | 100.00 | 7.6 | 8.1 | 7.7 | 6.8 |
| Canada: All-items excluding food and energy | 77.06 | 5.5 | 5.3 | 5.2 | 4.7 |

* CPI basket weights are based on the 2020 expenditure data, modified on July 2021.

Sources: Statistics Canada, Corporate Economics, August 16, 2022.

Contribution of Consumer Items to Inflation: Alberta July 2022



Sources: Statistics Canada, Corporate Economics, August 16, 2022.

Next release: September 20, 2022

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 have developed reliable methods of forecasting and analysis.

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Sources:

Bank of Canada, Statistics Canada, Corporate Economics.