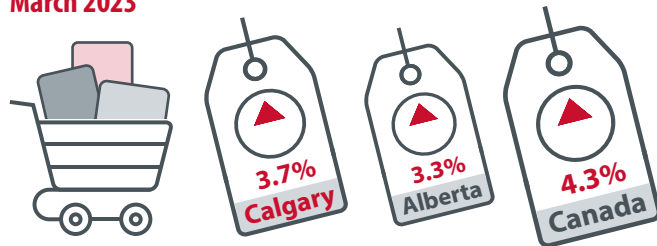




Inflation Review

Headline Inflation Comparison

March 2023



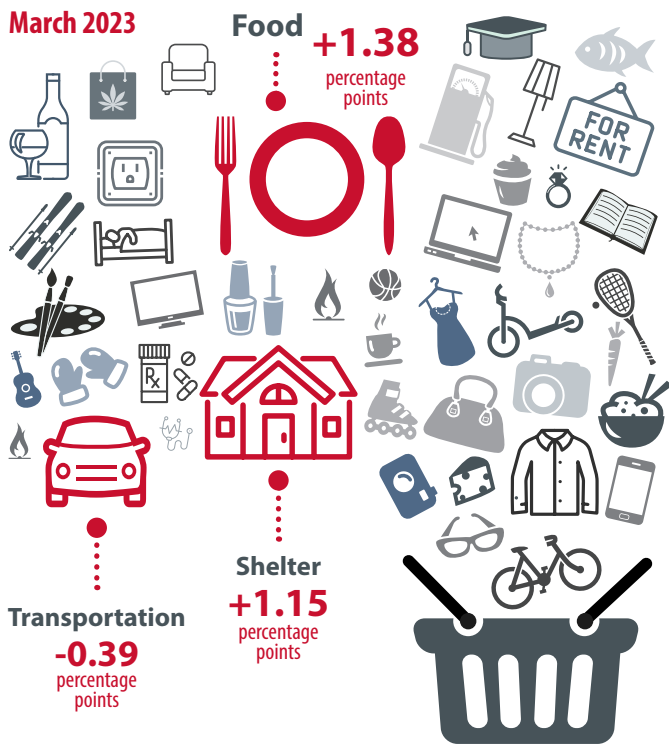
Year-over-year inflation in Calgary eases for the sixth consecutive month

In March 2023, the headline consumer price index (CPI) in the Calgary Census Metropolitan Area (CMA) increased by 3.7 per cent over the previous twelve months. This marked the sixth consecutive month of decelerating inflation in Calgary.

March 2023 marked one year since the Bank of Canada began its series of hikes to the policy interest rate in response to high inflation (starting March 2, 2022). On March 8, 2023, the Bank of Canada announced that it would pause raising the interest rate for the first time since the rate hikes began. Between March 2022 and March 2023, the Bank of Canada increased the policy interest rate by a blistering 425 basis points. The increased interest rates are now beginning to bring inflation down, as higher interest rates have a dampening effect on borrowing and spending. The Bank of Canada now expects the national inflation rate to return to the 2 per cent target by the end of 2024. External factors such as lower global oil prices are also contributing to the deceleration in the year-over-year inflation rate.

Major Contributors to Alberta's Inflation Rate

March 2023



Year-over-year food and shelter inflation remain high while transportation costs fall in Alberta

Alberta's year-over-year CPI inflation rate for March dropped to 3.3 per cent: lower than the rate for the Calgary CMA. The inflation rate for Canada, at 4.3 per cent, was higher than in Alberta or Calgary.

Food price inflation remained the most significant component of Alberta inflation in March. Overall, food prices increased by 8.4 per cent year-over-year. However, price increases for some individual food products were much higher. For example, prices for edible fats and oils increased by 25.5 per cent, egg prices increased by 15.8 per cent, and the prices of bakery products increased by 15.6 per cent.

Shelter costs in Alberta increased by 4.5 per cent year-over-year in March, led by an 8.0 per cent increase in the cost of owned accommodation. Much of this was related to a 26.4 per cent increase in mortgage interest costs at the national level, which followed the Bank of Canada's aggressive rate hikes over the past year.

For the first time since May 2020, transportation costs in Alberta fell compared to one year prior. The 2.2 per cent drop in transportation costs was

primarily due to a 19.7 per cent decrease in gasoline prices, driven by global oil prices. Global oil prices in March 2023 were lower compared to March 2022, when they increased suddenly following the Russian invasion of Ukraine.

While transportation costs decreased in March, year-over-year price increases occurred in all other major categories in Alberta. However, prices for a few items within these categories have decreased since March 2022. These include child care and housekeeping services, natural gas, and home entertainment equipment.

Inflation Rates

	Relative Importance (%)*	Year-over-year (%)			Year-to-Date Average (%)
		Mar-23	Feb-23	Jan-23	
Calgary: All-items	100.00	3.7	3.9	5.5	4.4
Shelter	25.77	5.8	3.4	6.1	5.1
Rented accommodation	5.81	4.6	5.4	6.9	5.6
Owned accommodation	15.83	10.7	12.3	12.7	11.9
Water, fuel and electricity	4.14	-7.7	-23.1	-13.2	-14.7
Alberta: All-items	100.00	3.3	3.6	5.0	4.0
Alberta: All-items excluding food and energy	75.90	4.3	4.8	5.5	4.9
Canada: All-items	100.00	4.3	5.2	5.9	5.2
Canada: All-items excluding food and energy	76.65	4.5	4.8	4.9	4.8

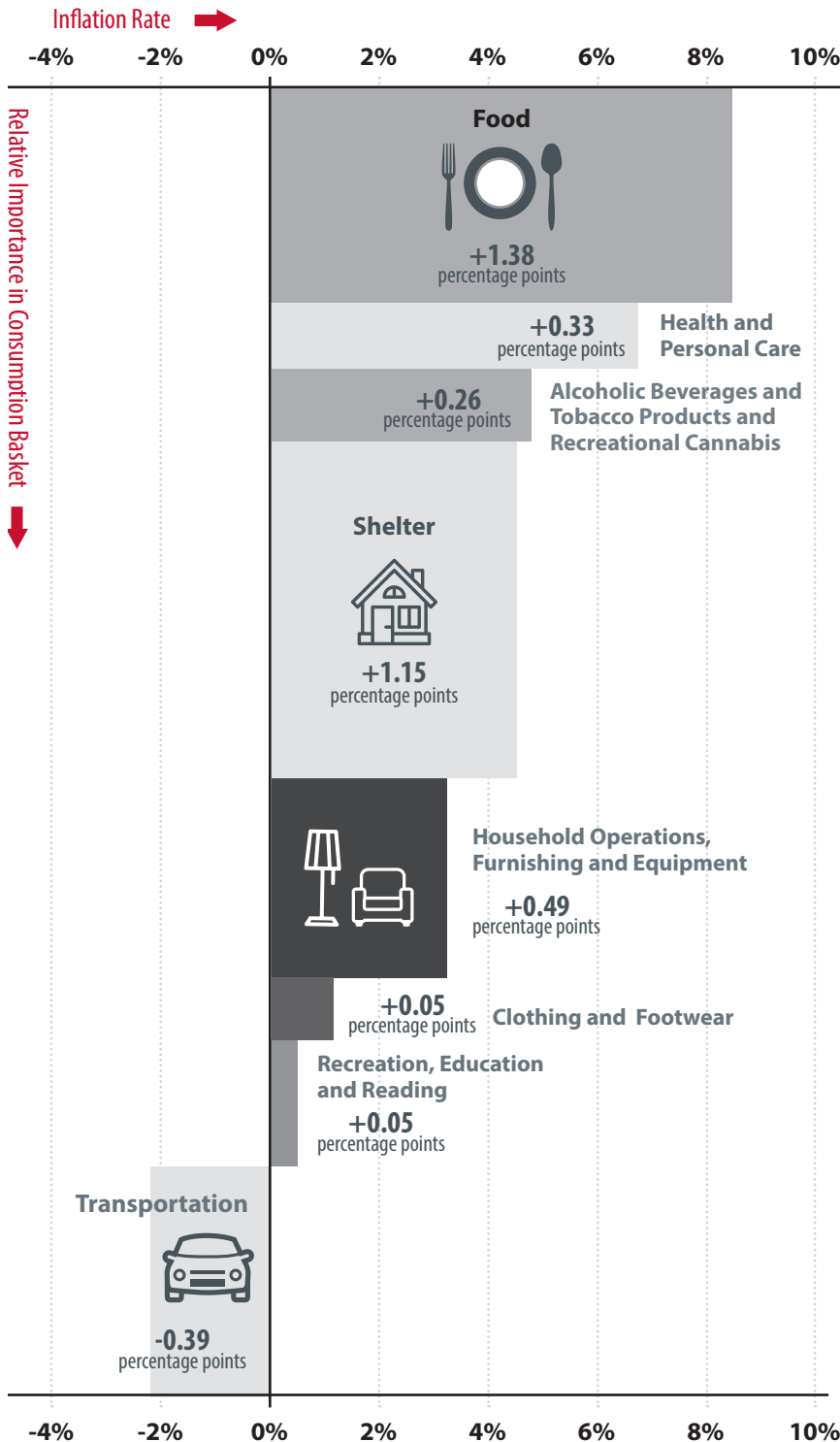
* CPI basket weights are based on the 2021 expenditure data, modified on December 2022.

Sources: Statistics Canada, Corporate Economics, April 18, 2023.

Inflation Review

Contribution of Consumer Items to Inflation: Alberta

March 2023



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.