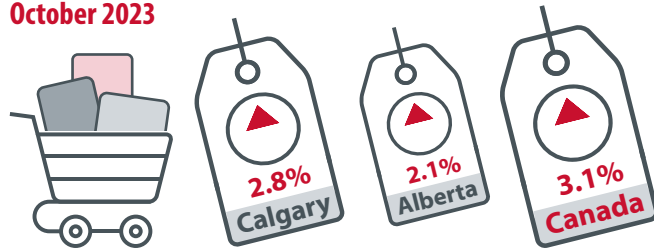


## Headline Inflation Comparison

October 2023



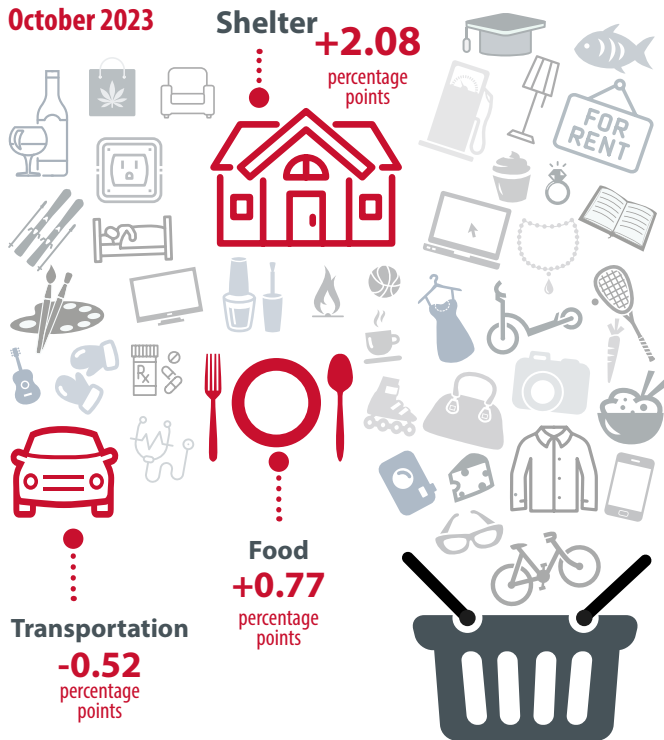
**Headline inflation continues to soften to an average annual rate of 2.8 per cent in Calgary and 3.1 per cent nationwide in October 2023**

The headline year-over-year consumer price index (CPI) in the Calgary Census Metropolitan Area (CMA) has softened to 2.8 per cent in October, marking a decline from September's 4.4 per cent. This change reflects the continued impact of contractionary monetary policies in moderating economic activities and relieving price pressures. In response, the Bank of Canada held its target for the overnight rate at 5.0 per cent for two consecutive meetings in September and October, respectively, while continuing its quantitative tightening policy.

Similarly, Alberta's inflation mirrored this trend, decreasing from a peak of 4.3 per cent in August to 3.7 per cent in September, and continuing its deceleration to 2.1 per cent in October. Canada followed a similar pattern, with inflation initially sliding from 4.0 per cent in August to 3.8 per cent in September, before dropping to 3.1 per cent in October, largely due to lower gasoline prices. In Alberta, major drivers of inflationary persistency continue to be shelter costs and food prices, which have increased by 8.3 per cent and 4.7 per cent, respectively, since October 2022.

## Major Contributors to Alberta's Inflation Rate

October 2023



**The full impact of the Israel-Hamas war on inflation is uncertain, but rising geopolitical risks could exacerbate inflationary pressures**

Since the outbreak of the conflict between Israel and Hamas at the beginning of October, energy prices have risen to adjust to this heightened geopolitical risk. While many expect these effects to be transitory, sustained increases in energy prices are possible, depending on how the situation will evolve and whether the conflict will be extended to the broader region with oil-producing neighbour countries engaged. This volatility also contributes to price instability. Given that the energy price has been one of the key drivers of inflation in recent months, this could imply further inflationary pressures. While core inflation in Alberta, which excludes volatile items like food and energy, has dropped to 2.3 per cent in October from 2.5 per cent in September, an increase in prices of energy, a critical input, can indirectly affect other goods' prices. Additionally, geopolitical conflicts might lead to new trade restrictions, potentially disrupting the global supply chains.

**Vehicle demand accelerates while steering through the bumpy terrain of interest rate hikes**

Elevated interest rates influence consumer purchasing behaviours across various items, with some being more sensitive to the interest rate environment than others. Durable and big-ticket items, often bought on credit, like furniture, jewelry, and appliances, typically see downward demands with rate hikes, as consumers tend to postpone such purchases. However, the demand for vehicles stands as an exception. While price inflation, as well as expenditures of durable goods excluding vehicles, decreased considerably

## Inflation Rates

	Relative Importance (%) *	Year-over-year (%)			Year-to-Date Average (%)
		Oct-23	Sep-23	Aug-23	
Calgary: All-items	100.00	2.8	4.4	4.8	3.9
Shelter	25.89	10.3	11.6	12.2	7.1
Rented accommodation	5.91	11.7	8.5	6.1	6.9
Owned accommodation	16.14	9.6	9.6	9.2	9.4
Water, fuel and electricity	3.85	11.1	22.5	30.3	0.7
Alberta: All-items	100.00	2.1	3.7	4.3	3.5
Alberta: All-items excluding food and energy	76.10	2.3	2.5	2.9	3.8
Canada: All-items	100.00	3.1	3.8	4.0	4.1
Canada: All-items excluding food and energy	76.57	3.4	3.2	3.6	4.1

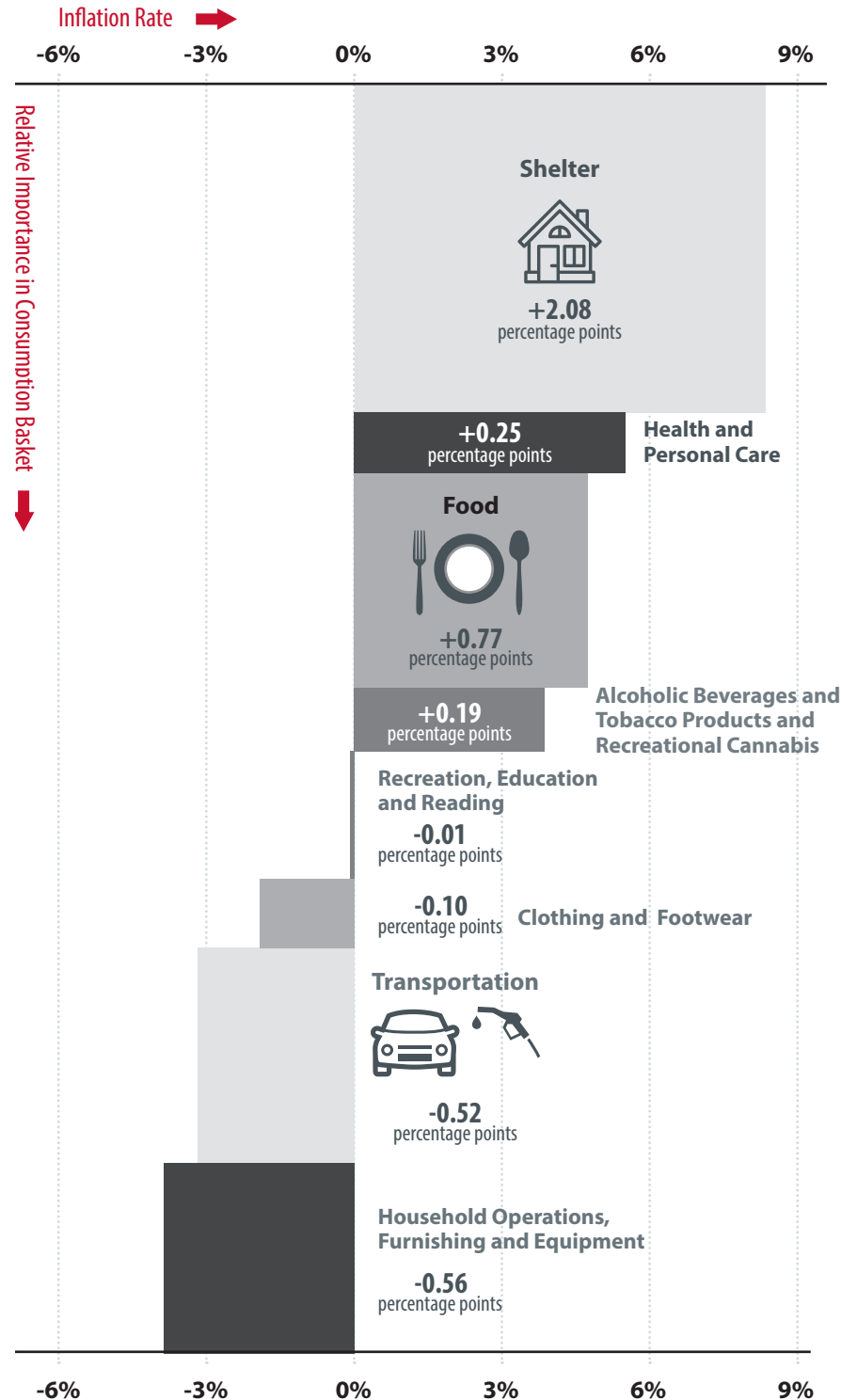
\* CPI basket weights are based on the 2022 expenditure data, modified in June 2023.

Sources: Statistics Canada, Corporate Economics, November 21, 2023.

over the past year, the consumption per capita for vehicles has grown. This resilience in vehicle demand, despite higher interest rates, is likely due to pent-up demand from buyers who were previously hindered by supply constraints, notably the semiconductor shortages during the COVID-19 pandemic. This trend could persist, and vehicle prices may not normalize until a supply-demand balance is reached. However, recent supply chain disruptions, such as the United Auto Workers strike in the U.S., and a strong population growth, could fuel this imbalance even further.

## Contribution of Consumer Items to Inflation: Alberta

October 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.