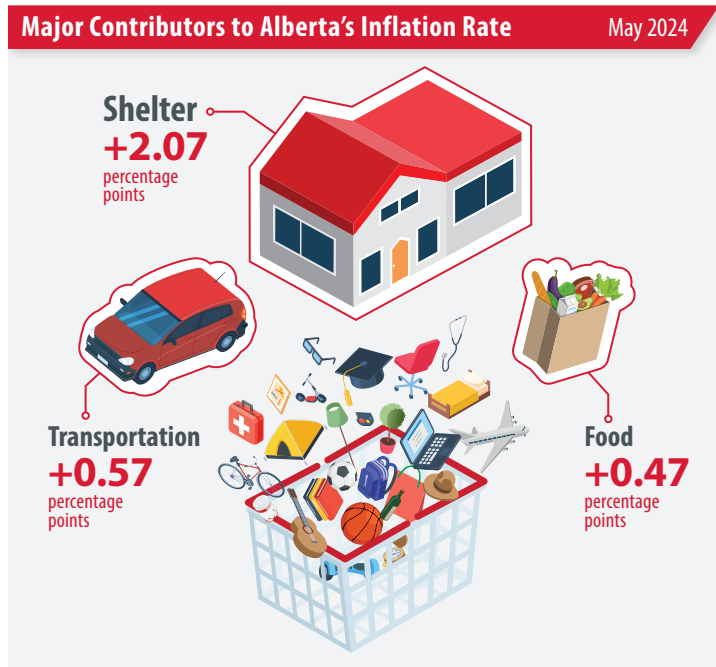
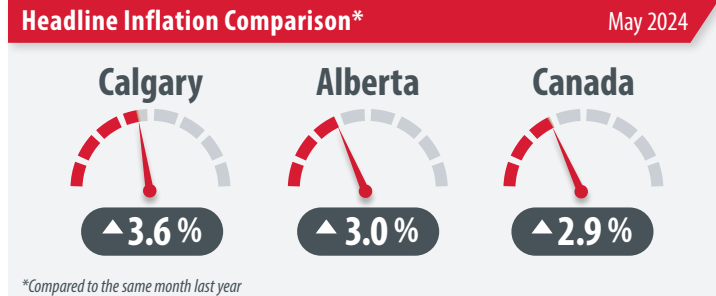


### HIGHLIGHTS



### Calgary's inflation is stubbornly stuck at 3.6 per cent, while national inflation bumped up to 2.9 per cent in May 2024.

The Consumer Price Index (CPI), year-over-year (y-o-y) inflation rate for Calgary Census Metropolitan Area (CMA) hovers at 3.6 per cent, while the national inflation rate experiences a slight bump from last month to 2.9 per cent. At the national level, key drivers of acceleration are travel tours and air transportation which rose by 6.9 per cent and 4.5 per cent respectively, y-o-y.

In Calgary CMA, prices for utilities such as water, fuel, and electricity decreased by 3.4 per cent, y-o-y. This is a function of two reinforcing forces: low marginal cost electric plant capacities and Government of Alberta's pressure through Bill-19 to make utility bills more affordable<sup>1</sup>. In Alberta, the bulk of the contribution to inflation still comes from shelter at 2.1 per cent, out of the 3 per cent total inflation rate. In Calgary itself, we observe a 18.0 per cent increase, y-o-y in prices for rented accommodations and a 9.4 per cent increase, y-o-y in prices for owned accommodations, as Calgary becomes the fastest-growing major municipality in Canada in 2023, with an estimated 5.6 per cent population growth and an expected 4.9 per cent population growth in 2024. The biggest driver of Calgary's population so far has been the non-permanent resident component. This component for the Calgary CMA rose from 6,024 in 2022 to 34,463 in 2023<sup>2</sup>.

Wondering what's your personal expenditure inflation rate? Use Statistics Canada's [calculator](#) to learn how you can adapt your wallet to new realities.

### Bank of Canada lowers interest rate by 0.25 per cent, for the first time in 4 years, to 4.75 per cent.

As inflation slowly eased to the 2 per cent target, the Bank of Canada announced an interest rate cut to 4.75 per cent on June 5, 2024, in hopes of a soft-landing (reducing the effect of unemployment from high interest rates). Canada is the first among the G7 countries to do a rate cut. While the cut may provide financial relief for many households on mortgage payments, it could also lead to increased demand in an already supply-constrained housing market, further driving up housing prices.

Bank of Canada research also shows that higher interest rates is here to stay. The Bank estimates that the nominal neutral rate—the equilibrium interest rate—in Canada has risen to lie within a range of 2.25 per cent to 3.25 per cent<sup>3</sup>, and therefore the costs for household durable goods and business investments will remain high in the future.

The interest rate cut is good news to the 30.1 per cent of firms that have not fully paid back the Canada Emergency Business Account (pandemic-relief package for businesses) and do not have or are unknown if there's enough liquidity available for repayment<sup>4</sup>. The lower interest rate also helps with the outstanding uninsured mortgages; the number of uninsured loans outstanding has net increased by 837,855 (21.6 per cent increase) since Q2 2020<sup>5</sup>.

### CPI Basket Update 2024: Reflecting Canadian purchasing behaviour post-pandemic.

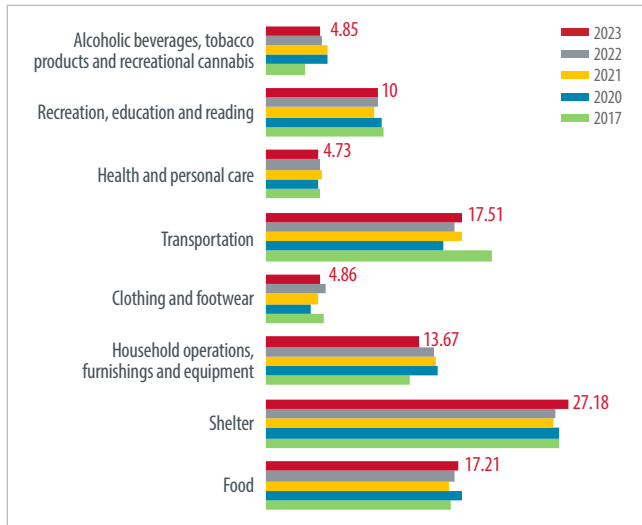
The components that make up the CPI are updated every two to four years to reflect how Canadians are spending their money. On June 18, Statistics Canada updated the CPI basket based on 2023 spending behaviours. Typically, spending patterns change slowly and do so largely in response to shifts in prices, income levels, demographic changes, evolving habits and the availability of new technology. Yet, for the past three years, Statistics Canada changed the CPI basket every year in response to varying pandemic restrictions and policies, which influenced what, where, and how Canadians purchased<sup>6</sup>.

### Inflation Rates

	Relative Importance (%)*	Year-over-year (%)		
		May-24	Apr-24	Mar-24
<b>Calgary: All-items</b>	<b>100.00</b>	<b>3.6</b>	<b>3.6</b>	<b>4.2</b>
Shelter	27.18	9.3	9.8	12.0
Rented accommodation	5.49	18.0	18.6	17.7
Owned accommodation	18.02	9.4	9.0	9.3
Water, fuel and electricity	3.67	-3.4	1.0	13.8
<b>Alberta: All-items</b>	<b>100.00</b>	<b>3.0</b>	<b>3.0</b>	<b>3.5</b>
Alberta: All-items excluding food and energy	75.39	3.0	2.6	2.5
<b>Canada: All-items</b>	<b>100.00</b>	<b>2.9</b>	<b>2.7</b>	<b>2.9</b>
Canada: All-items excluding food and energy	76.30	2.9	2.7	2.9

\* CPI basket weights are based on the 2023 expenditure data, modified in June 2024. Sources: Statistics Canada, Corporate Economics, June 25, 2024.

**Chart 1: CPI Basket Weight Changes From 2017-2023 for Alberta**



In the latest CPI basket changes, Statistics Canada added 15 new additional data sources, including retail scanner data and tuition enrolment. The chart on the left shows the CPI weights for Alberta have been increased for Shelter and Food to reflect the higher inflation rates experienced in these categories over the past year. Post-pandemic, we see that the component weights for Transportation have been significantly reduced with the rise of remote and hybrid work, and the consumption of alcohol, tobacco, and cannabis has increased. While consumer spending patterns continue to evolve, the 2023 expenditure weights better reflect current consumer behaviour as Canadians adapt to a new normal.

<sup>1</sup> Quarterly Forecast Update - Second Quarter 2024. EDC Associates. (2024, May 3).  
<sup>2</sup> Spring 2024 Calgary and Region Population Outlook 2024-2029. Corporate Economics at the City of Calgary. (2024, June).  
<sup>3</sup> Cacciatore, M., Feunou, B., & Ozhan, G. K. (n.d.). The Neutral Interest Rate: Past, Present and Future. A Thematic Review. Bank of Canada. <https://www.bankofcanada.ca/wp-content/uploads/2024/04/sdp2024-3.pdf>  
<sup>4</sup> Statistics Canada. Table 33-10-0745-01 Status of repayment of loan from the Canada Emergency Business Account and if the business or organization anticipates having the liquidity available or access to credit to repay the loan by December 31, 2026, fourth quarter of 2023  
<sup>5</sup> Residential Mortgage Industry Data Dashboard. CMHC. (n.d.). <https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-data/residential-mortgage-industry-data-dashboard>  
<sup>6</sup> Lehto, R. (2023a, June 20). An Analysis of the 2023 Consumer Price Index Basket Update, Based on 2022 Expenditures. Government of Canada, Statistics Canada. <https://www150.statcan.gc.ca/n1/pub/62f0014m/62f0014m2023003-eng.htm>

**TEXTBOX**

**Cost of living sentiment among Calgarians is low, our AI model says.**

The following analysis is purely an experiment, and it does not constitute an economic advice. The methodology used is not endorsed by our Corporate Enterprise Technology Policy. The results are derived from internet data, and therefore should not be interpreted as a representation of the actual cost of living. For any questions, please direct them to [Howard Leong](#), our Summer Student Economist.

How are people feeling about inflation and the cost of living in Calgary? What's the sentiment at dinner table talks about household current economic conditions?

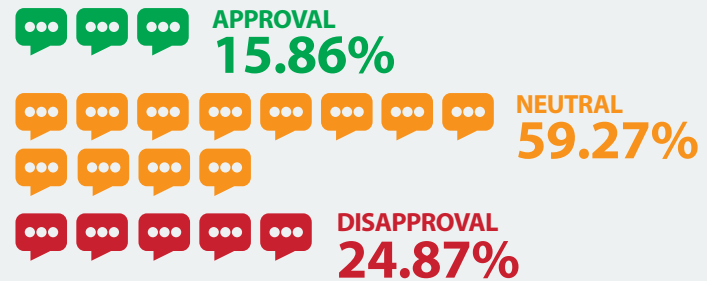
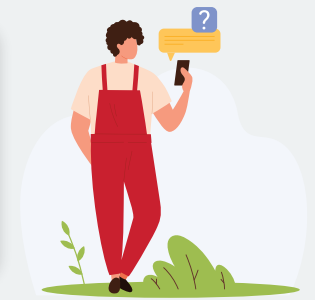
Increasingly, we find a disconnect between traditional economic numbers and people's sentiments about how they are doing economically—a phenomenon called the "Sentiment Gap"<sup>1</sup>. North American economies are growing robustly and inflation is slowing, but people are feeling pessimistic about their purchasing power.

Instead of soliciting opinions from Calgarians on a month-to-month basis which is typically costly and administratively cumbersome, the Corporate Economics team used the latest open-sourced Large Language Models to conduct sentiment analysis from text data captured from X (formerly Twitter), LinkedIn, and CBC News. Tweets, posts, and articles are rated between 0 to 100 by AI on sentiment (0 being bad sentiment and 100 being good sentiment). We then calculated a weighted average for all opinions, taking into account the level of influence of each post, which is determined by the number of interactions and the audience size. This weighted average, which we have experimentally developed, is named the 'Calgary Cost of Living Sentiment Index'.

From May 15 to June 14, the Calgary Cost of Living Sentiment Index hovers at 31.91 (out of 100), suggesting that many Calgarians are feeling that the economy is not working in their favour. 24.87 per cent of content produced about Calgary economy is disapproving, 59.27 per cent of which is neutral, while 15.86 per cent is approving of the cost of living in Calgary.

In contrast, albeit not a robust comparison, the Spring 2024 Survey of Calgarians conducted by the Corporate Research team found that 48 per cent of Calgarians rate the current economic situation as "good" and 41 per cent agree that the City

**CALGARY**  
**Cost of Living Index**  
**31.91**  
 0 means the sentiment about the cost of living is bad



is taking appropriate measures to help our city through economic recovery. The higher share of disapproval suggests that there's a negative bias on social media and in the news, where the loudest, most dissatisfied minority of people gets the most exposure, and therefore does not reflect the general population sentiment. That being said, we observe that dissenting opinions are at all time high and Calgarians' approval of the quality of life is rapidly trending downwards, based on the Spring 2024 Survey of Calgarians.

We also measured the various types of emotions in the texts created by Calgarians, and found that the texts posted are largely neutral, followed by feelings of disappointment, approval, disapproval, and some tinge of optimism.

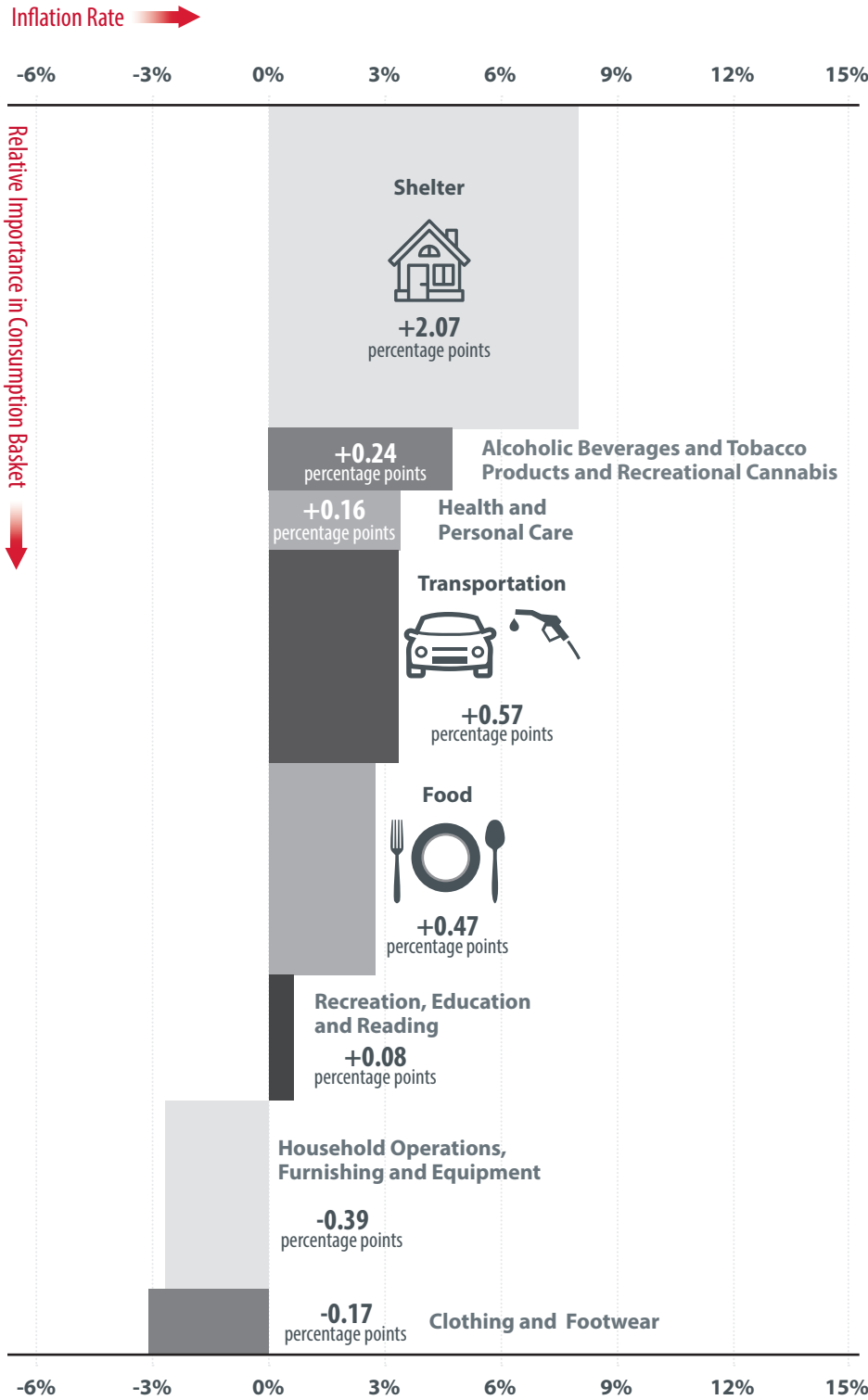
This is the first attempt globally in applying AI to capture sentiment around the cost of living at a municipal level. We are publishing a white paper on this experiment in late-July 2024, and we welcome any scrutinization and recommendations around our methodology.

Next update: "What does AI mean to job security?" to be published on July 8, 2024. [Subscribe](#) to Corporate Economics to receive the content in your inbox.

<sup>1</sup> Bolhuis, M. A., Cramer, J. N. L., Schulz, K. O., & Summers, L. H. (2024, February 26). The cost of money is part of the cost of living: New evidence on the consumer sentiment anomaly. NBER. <https://www.nber.org/papers/w32163>

## Contribution of Consumer Items to Inflation: Alberta

May 2024



The calculation for contribution incorporates the effects of changes in basket weight. The total contribution of each product component may not exactly add up to the overall inflation figure due to rounding.

Sources: Statistics Canada, Corporate Economics, June 25, 2024.

Next release: July 23, 2024

### 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.