

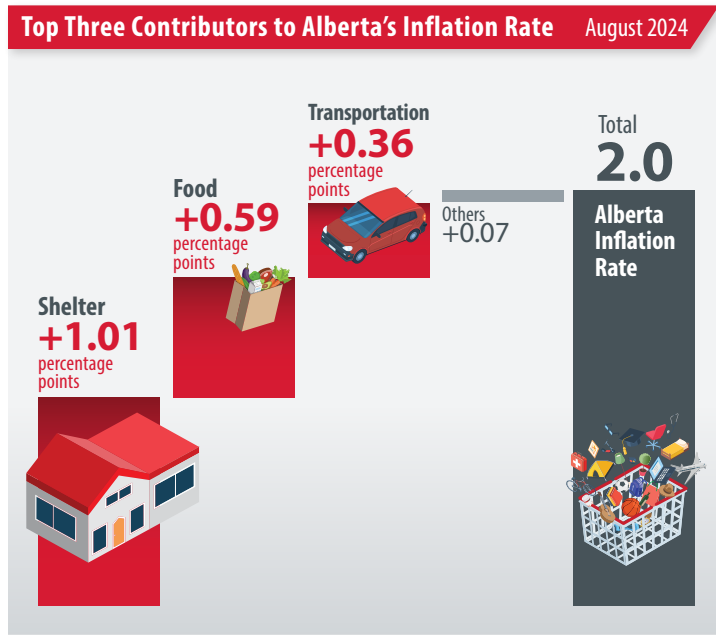
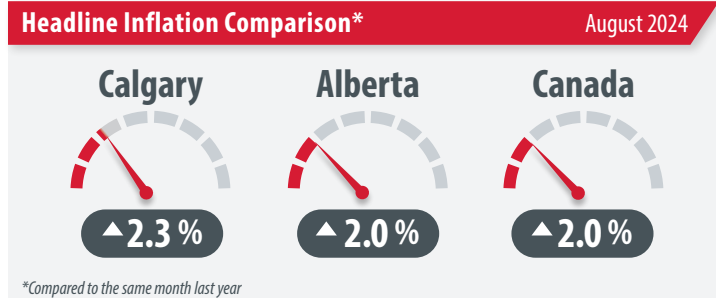
Inflation Review

August 2024

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September 17, 2024

HIGHLIGHTS



The total contribution of each product component may not exactly add up to the overall inflation figure due to rounding.

Inflation Rates

	Relative Importance (%)*	Year-over-year (%)		
		Aug-24	Jul-24	Jun-24
Calgary: All-items	100.00	2.3	2.9	3.6
Shelter	27.18	4.4	5.6	8.8
Rented accommodation	5.49	15.9	13.5	18.3
Owned accommodation	18.02	9.4	9.9	10.0
Water, fuel and electricity	3.67	-22.4	-17.4	-8.4
Alberta: All-items	100.00	2.0	2.7	3.0
Alberta: All-items excluding food and energy	75.39	3.0	3.0	3.2
Canada: All-items	100.00	2.0	2.5	2.7
Canada: All-items excluding food and energy	76.30	2.4	2.7	2.9

* CPI basket weights are based on the 2023 expenditure data, modified in June 2024. Sources: Statistics Canada, Corporate Economics, September 17, 2024.

The inflation rate in Calgary further softened to 2.3 per cent in August 2024, while Canada's inflation dropped to 2.0 per cent.

In August 2024, the Consumer Price Index (CPI) for the Calgary Census Metropolitan Area (CMA) increased by 2.3 per cent year-over-year (YoY), down from 2.9 per cent recorded in July. This marks two consecutive months of deceleration in Calgary's inflation. Similarly, Alberta's inflation rate also softened to 2.0 per cent from 2.7 per cent in July. The lower electricity prices (detailed below) and cheaper cellular service costs curbed inflation rate to the lowest point since June 2023. Meanwhile, Canada's national inflation rate slowed to 2.0 per cent, down from 2.5 per cent in July. The continued disinflation stemmed from lower gasoline prices, a result of declining crude oil prices amid sluggish global economic conditions. The inflation rate for mortgage interest cost also eased to 18.8 per cent, down from 21.0 per cent in July. In response to this slowdown in inflation, on September 4, 2024, the Bank of Canada cut its policy rate by 0.25 percentage points to 4.25 per cent for the third consecutive meeting, citing that inflation 'continued to ease as expected'². Core inflation, excluding volatile items such as food and energy, also dipped to 2.4 per cent in Canada from July's 2.7 per cent, while it remained steady at 3.0 per cent for Alberta.

Car insurance premiums in Alberta have seen an increase despite measures to lower costs.

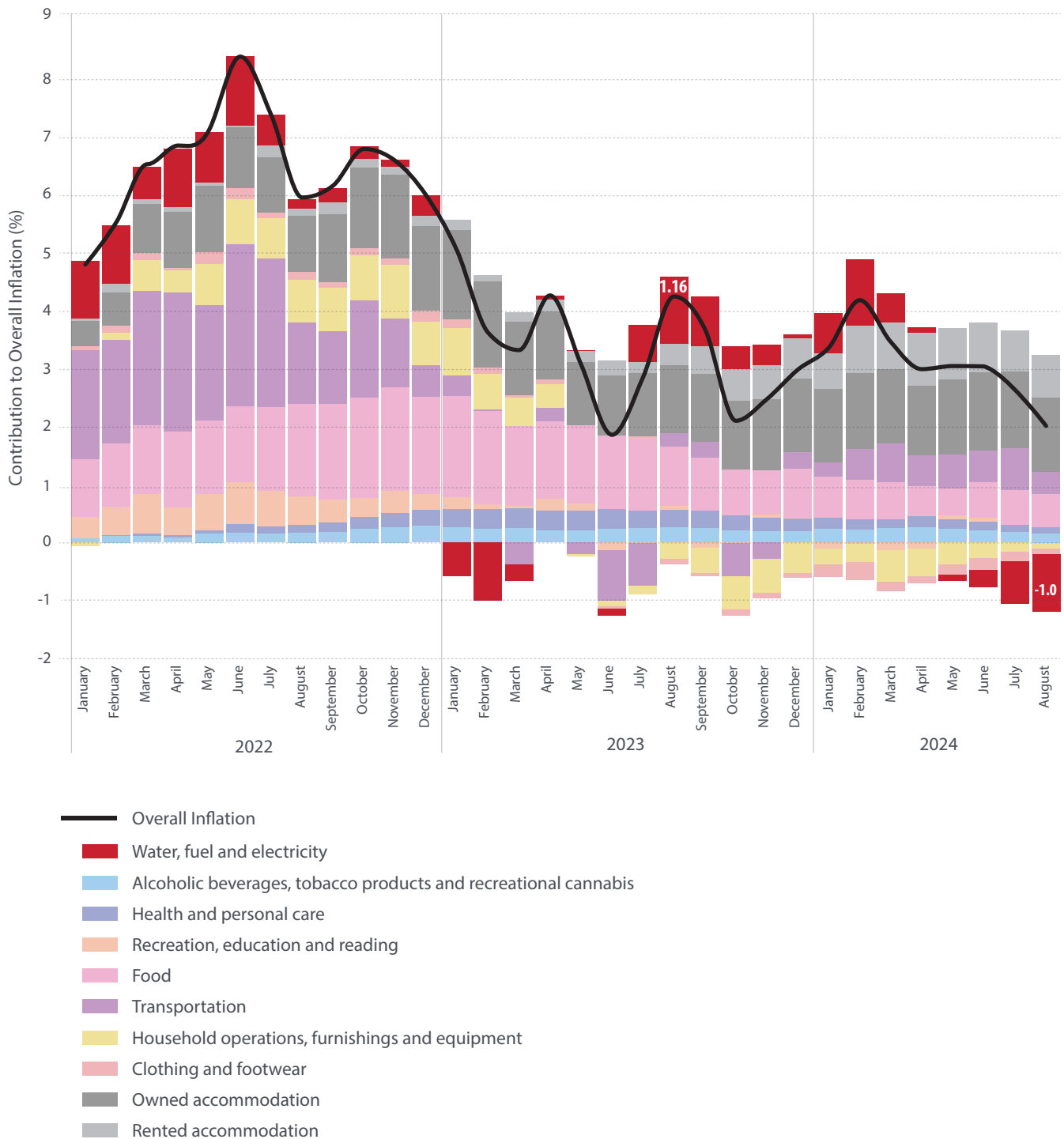
In August 2024, passenger vehicle insurance premiums costs increased by 5.8 per cent year-over-year (YoY), contributing 0.1 per cent to overall inflation in Alberta. Alberta has recorded the highest increase in premium costs nationwide since April 2024, rising by 7.3 per cent. This recent rise follows the 2023 rate freeze and a 3.7 per cent cap on rate increases for "good drivers," introduced in November 2023 to prevent premiums from growing "faster than inflation"³. While the policy officially took effect in January 2024, some insurance companies filed their rates late, delaying the cap's impact for certain drivers; additionally, in the absence of actions "to reduce underlying costs", these expenses are being passed on to drivers outside the good driver category^{4,5}. The 2024-25 First Quarter Fiscal Update, released by the provincial government on August 29, 2024, reported insurance tax revenue at \$906 million, \$12 million lower than forecasted due to "the policy change in car insurance premiums for good drivers"⁶.

Declining electricity prices from the summer 2023 peak are easing inflation ahead of the policy change set for 2025.

Falling electricity prices in Alberta, following the peak observed in the summer of 2023, are exerting significant downward pressures on overall inflation. As of August 2024 in Alberta, electricity costs have decreased by 39.9 per cent YoY. This drop alone is estimated to have pulled Alberta's overall inflation down by 0.9 per cent. Consequently, the cost of water, fuel, and electricity declined 22.4 per cent YoY in the Calgary CMA, coupled with lower natural gas costs (-10.9 per cent YoY, Alberta). This marks the largest change in the nation. This disinflation in utility costs is in contrast to the last year when these items were the main contributors to the inflation. The main factors for this decline include increased supply coming online from newly completed projects like the Cascade Power Plant and lower energy prices. These reductions in electricity costs occurred ahead of the Province's Utilities Affordability Statutes Amendment Act, which will bring changes to local access fees when it comes into effect in 2025. These lower electricity prices are expected to continue, offsetting persistent inflationary pressures from rent and owned accommodation, driven by housing shortages.

¹ The authors cordially acknowledge the contributions of Kenneth Wyllie, Senior Regulatory Analyst, for his review.
² <https://www.bankofcanada.ca/2024/09/opening-statement-2024-09-04/>
³ <https://www.alberta.ca/release.cfm?xID=89204706C4888-F92A-D3A7-1EF6C16ABD3D3F31>
⁴ <https://www.cbc.ca/news/canada/calgary/good-driver-program-too-late-1.7225954>
⁵ <https://www.ibc.ca/news-insights/news/albertas-auto-insurance-measures>
⁶ <https://open.alberta.ca/publications/6042188>

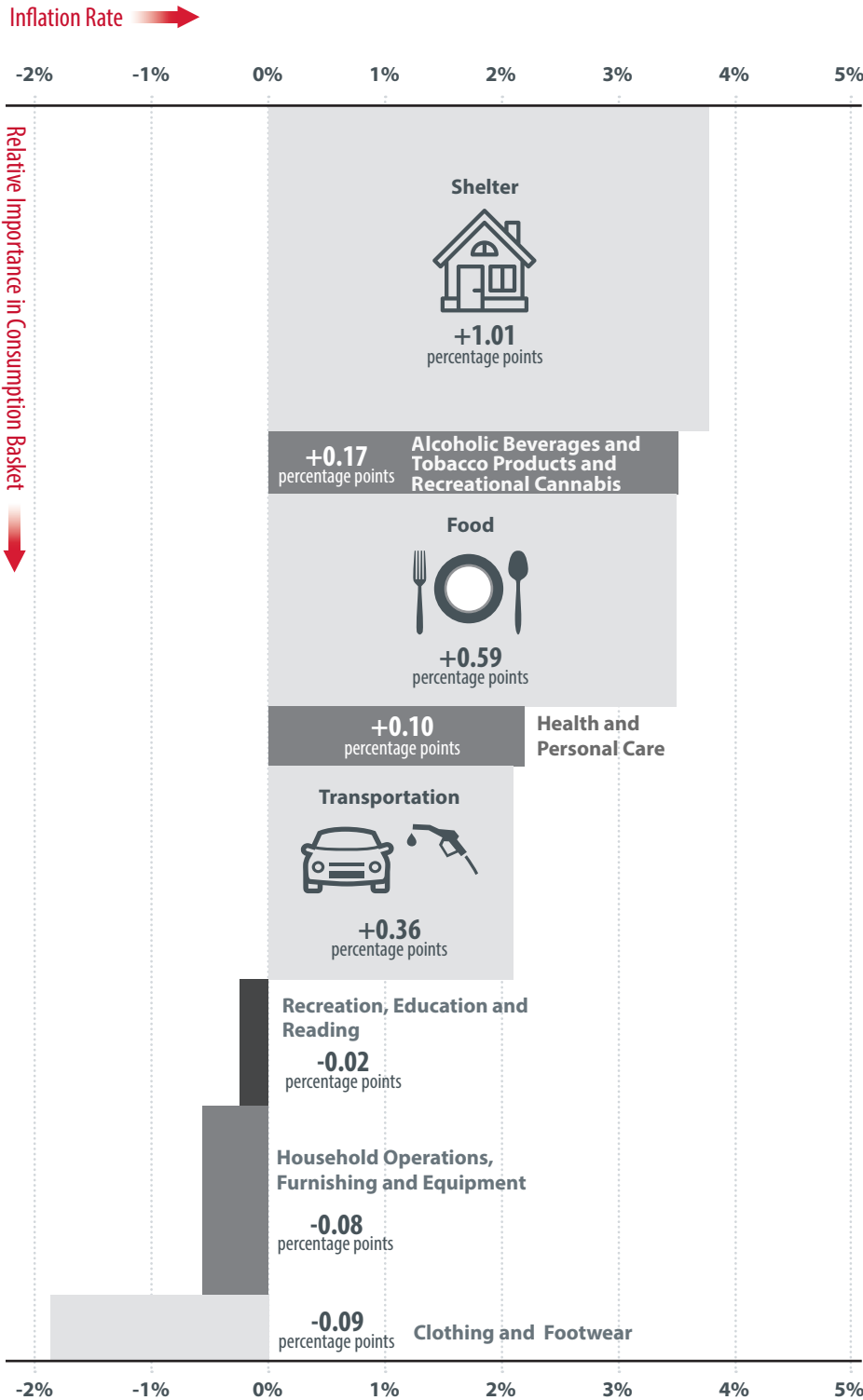
The Contributions of Products and Product Groups to Alberta's Overall Inflation Rate Since 2022



Created based on Chen, Y., & Tombe, T. (2023). The rise (and fall?) of inflation in Canada: A detailed analysis of its post-pandemic experience. Canadian Public Policy, 49 (2), 197-217

Contribution of Consumer Items to Inflation: Alberta

August 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, September 17, 2024.

Next release: October 15, 2024

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Sources:
Bank of Canada, Statistics Canada, Corporate Economics.