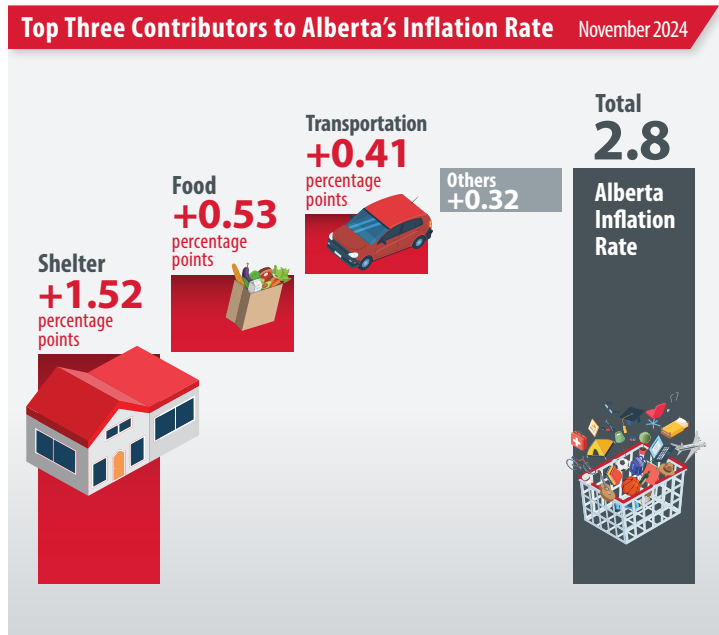
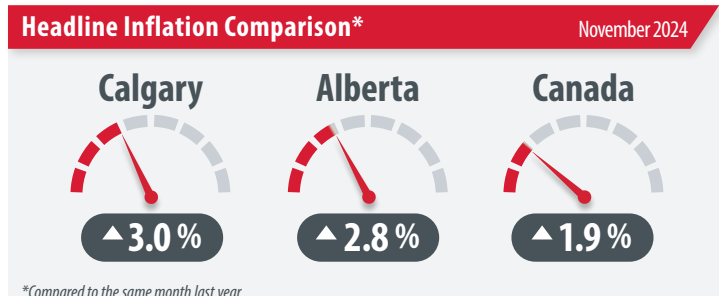


Inflation Review November 2024

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December 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 (%)		
		Nov-24	Oct-24	Sep-24
Calgary: All-items	100.00	3.0	3.3	2.1
Shelter	27.18	6.6	6.6	4.8
Rented accommodation	5.49	13.1	13.3	14.3
Owned accommodation	18.02	7.8	8.2	8.1
Water, fuel and electricity	3.67	-7.3	-9.8	-17.8
Alberta: All-items	100.00	2.8	3.0	1.9
Alberta: All-items excluding food and energy	75.39	3.0	3.3	2.9
Canada: All-items	100.00	1.9	2.0	1.6
Canada: All-items excluding food and energy	76.30	1.9	2.3	2.4

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

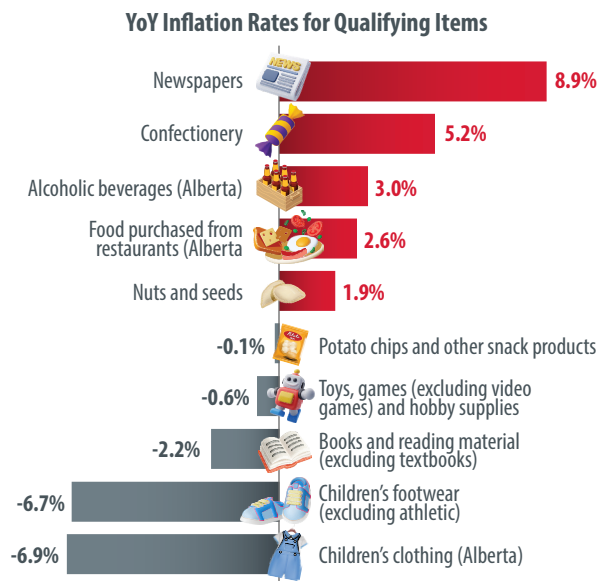
Calgary's inflation rate edged lower to 3.0 per cent in November 2024, while the national rate fell to 1.9 per cent.

In November 2024, the Consumer Price Index (CPI) for the Calgary Census Metropolitan Area (CMA) increased by 3.0 per cent year-over-year (YoY), easing from 3.3 per cent in October. Despite this slowdown, Calgary maintained the highest inflation rate among Canadian CMAs, driven by the fastest YoY growth in owned accommodation costs and the second-highest increase in rented accommodation. Similarly, Alberta's inflation rate moderated to 2.8 per cent from 3.0 per cent in October. Lower household operation costs and reductions in clothing and footwear prices, partially influenced by Black Friday sales, contributed to this decline. Nationally, Canada's overall inflation rate fell to 1.9 per cent in November, down slightly from 2.0 per cent in October. The national slowdown was primarily due to lower gasoline prices and travel tour costs. These declines were partially offset by rising rents and a notable increase in hotel accommodation prices in Ontario, attributed to a "series of high-profile concerts" that drove a historical monthly upward movement¹.

With inflation rates remaining within the Bank of Canada's (BoC) target range, the BoC lowered its policy interest rate by 0.50 percentage points to 3.25 per cent on December 11, 2024, marking its fifth consecutive cut this year and the first back-to-back 50 per cent cut since 2009 outside of the pandemic periods. 3.25 per cent is the upper bound of the neutral rate set by the Bank of Canada. Over the course of 2024, the policy rate dropped from 5.0 per cent to 3.25 per cent, the steepest annual decline since 2009, excluding the COVID-19 pandemic, when the rate fell from 4.25 per cent to 1.5 per cent by the end of year. The BoC's final interest rate decision for 2024 underscores its efforts to stimulate economic growth amid moderating inflation pressures. Looking ahead, the first interest rate decision for 2025 is scheduled for January 29, followed by March 12.

Sales tax holiday and inflation: would it be enough to offset price increases?

On November 21, 2024, the federal government announced a temporary GST exemption on specific goods, including groceries, toys, and alcoholic beverages. The GST holiday, which was passed shortly after the announcement, came into effect on December 14, 2024, and will remain in place until February 15, 2025. Additionally, a \$250 rebate for qualifying taxpayers has been proposed but has yet to be finalized^{2,3}. In light of these measures, we analyze whether the 5 per cent GST exemption would be sufficient to counteract recent price increases. Note that all figures are reported at the national level due to data limitations unless otherwise specified, and data reflect November prices, which may differ when the tax holiday takes effect in December. Below, we outline inflation rates for qualifying goods included in the CPI.

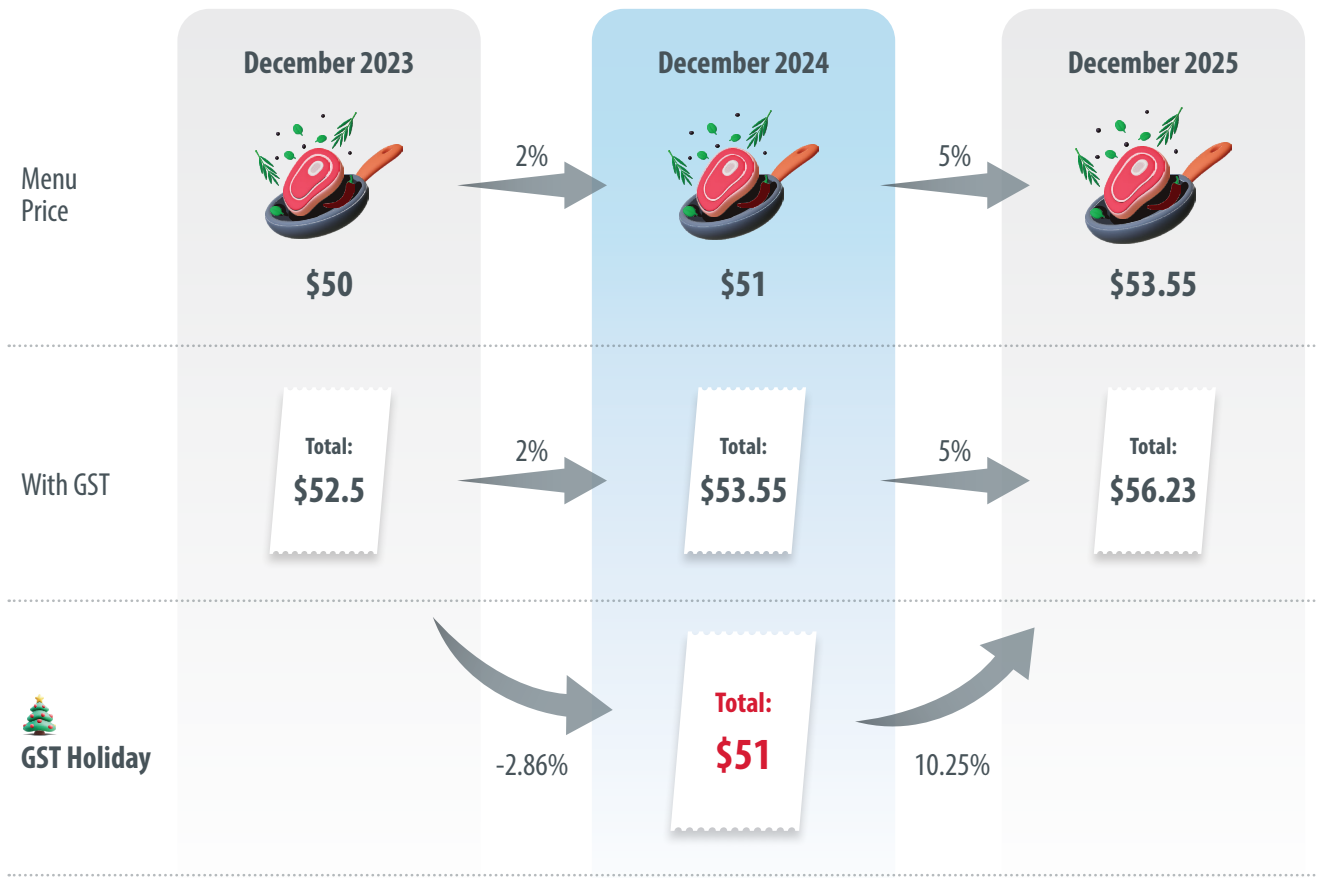


With the GST holiday, the prices for eligible goods would be temporarily lowered for all the items, but the impacts vary across different items. For items that have seen large YoY price increases, like newspapers and confectionery, the exemption would only partially offset the increase, but other items, such as dining out, would be cheaper compared to the same time last year with this GST holiday. Despite these measures to alleviate cost pressures at grocery stores, the grocery inflation has remained elevated, recording 3.4 per cent YoY in Alberta. For perspective, \$250 today buys only \$242 worth of the same groceries as last year or \$232 worth compared to 2022, highlighting the cumulative impact of inflation and the ongoing erosion of purchasing power over time.

Assessing the effect of the GST holiday on overall inflation is challenging, as this temporary reduction introduces a baseline effect on inflation data for December 2025 through February 2026. To aid in understanding, an illustrative example is provided below.

The GST holiday arbitrarily lowers prices at December 2024. When these reduced prices are used as the baseline for comparison in December 2025, the inflation rate may appear artificially elevated, even if underlying price trends remain stable and cumulative growth is the same. This phenomenon, where the baseline year affects inflation calculations at a current reference date, is known as the baseline effect.

Illustrative Example of GST Holiday and Its Impact on Inflation



Arrows represent YoY Inflation Rates (%); future prices are hypothetical and used for illustrative purposes only

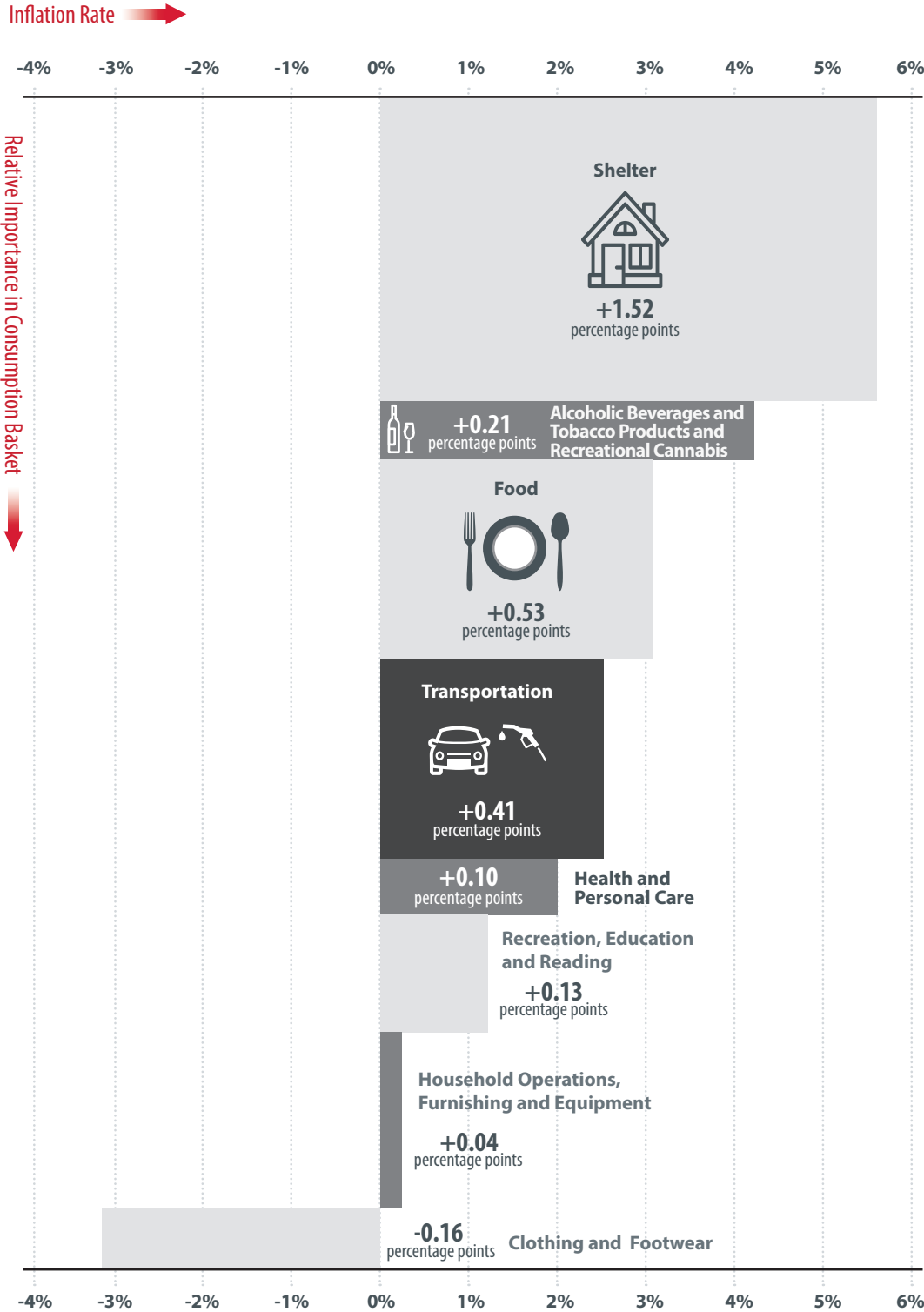
¹ <https://www150.statcan.gc.ca/n1/daily-quotidien/241217/dq241217a-eng.htm>

² <https://www.canada.ca/en/department-finance/news/2024/11/more-money-in-your-pocket-a-tax-break-for-all-canadians.html>

³ <https://www.canada.ca/en/department-finance/news/2024/11/more-money-in-your-pocket-the-working-canadians-rebate.html>

Contribution of Consumer Items to Inflation: Alberta

November 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, December 17, 2024.

Next release: January 21, 2025

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