

Inflation Review

Patrick Walters, City Economist | Estella Scruggs, Corporate Research Analyst

April 19, 2013

Calgary's Consumer Prices Increased in March 2013

Year-over-year headline inflation rates for Calgary and Alberta were higher than the national average

In March 2013, Calgary's headline inflation rose by 1.3 per cent over the same month last year. This is the largest increase since September 2012. Consumer prices increased 1.2 per cent in Alberta but dropped to 1 per cent in Canada in March. (See Chart 1).

Consumer prices rose in six of the eight major components in Calgary. Significant cost increases were observed in food (2.3 per cent), shelter (2.2 per cent), and household operations, furnishings and equipment (1.8 per cent). These increases were offset partially by the declines in energy prices. Gasoline prices fell slightly by 0.8 per cent. Electricity prices dropped 8.5 per cent, which is a smaller decrease in March compared to the previous months.

Both new and resale home prices are on the rise

In February 2013, Calgary's new house price index was up 4.3 per cent from a year ago. This increase gave Calgary the second highest growth in new home prices nationwide, only slightly lower than Winnipeg which grew by 5.5 per cent. Material and labour costs were the main contributors for higher prices in Calgary.

A similar situation exists in the resale home market. In March 2013, Calgary's average resale house price rose 7.7 per cent compared to the same month last year. Fewer houses for sale and a steady increase in demand for housing caused by gains in employment and migration have led to the increase in house prices.

With both new and resale home prices rising in the near term, this should put upward pressure on accommodation costs and the overall inflation rate in Calgary. (See Chart 2).

Major contributors to Calgary's 12-month-moving-average inflation

Food: The 12-month-moving-average prices for food advanced 1.7 per cent in March 2013, which contributed 0.27 per cent to Calgary's overall inflation.

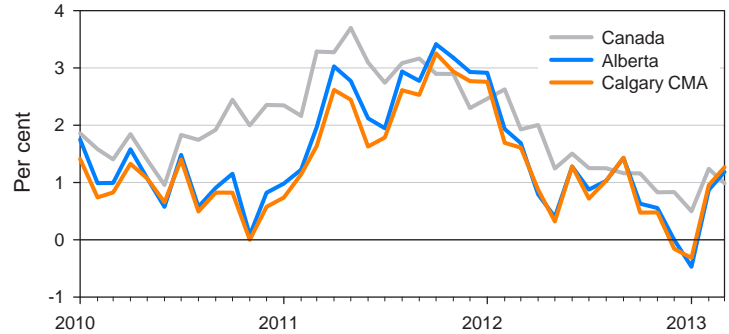
Shelter: In March 2013, shelter costs dropped modestly by 0.6 per cent, which lowered Calgary's overall inflation by 0.15 per cent. Lower costs of water, fuel and electricity, as well as mortgage costs were the major drivers.

Transportation: Transportation prices increased 1 per cent in March 2013, which contributed 0.21 per cent to the overall inflation in Calgary. Retail gasoline price at the pump climbed 0.7 per cent in March for the 12-month-moving-average.

Next release: May 17, 2013

Chart 1. Headline inflation comparison

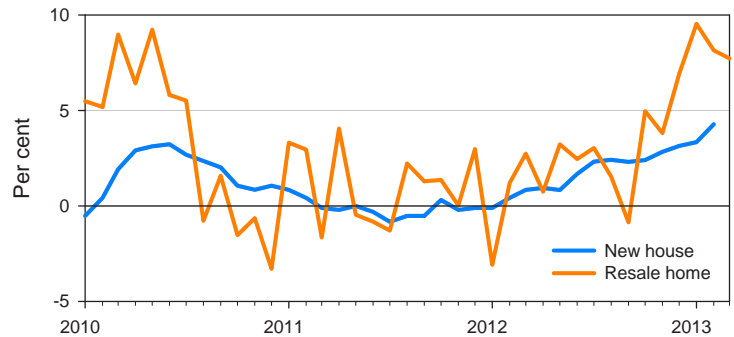
(year-over-year change, January 2010 - March 2013, per cent)



Source: Statistics Canada, Corporate Economics, April 2013

Chart 2. Price changes in new and resale home in Calgary CMA

(year-over-year change, January 2010 - March 2013, per cent)



Source: Statistics Canada, Corporate Economics, April 2013

Inflation Rates

(12-Month-Moving-Average or average inflation rate for the past 12 months)

	Relative Importance (%) *	Mar-13 (%)	Feb-13 (%)	Mar-12 (%)
Calgary: All-items	100.00	0.7	0.7	2.4
Calgary: All-items excluding food and energy	76.49	1.3	1.3	0.9
Food	15.99	1.7	1.7	3.5
Shelter	26.56	(0.6)	(0.6)	2.8
Owned accommodation	16.24	1.3	1.3	0.6
Water, fuel and electricity	4.84	(9.8)	(9.5)	17.7
Household operations, furnishing and equipment	12.27	1.7	1.6	1.3
Clothing and footwear	5.88	(0.4)	(0.5)	(2.2)
Transportation	20.44	1.0	1.3	4.6
Gasoline	3.81	0.7	0.9	15.1
Health and personal care	4.65	1.6	2.0	3.0
Recreation, education and reading	11.37	0.5	0.5	(0.1)
Alcoholic beverages and tobacco products	2.83	2.0	2.1	1.4
Alberta: All-items	100.00	0.7	0.8	2.6
Alberta: All-items excluding food and energy	76.49	1.3	1.3	1.0
Canada: All-items	100.00	1.2	1.2	2.8
Canada: All-items excluding food and energy	74.85	1.1	1.2	1.6

Source: Statistics Canada, Corporate Economics, April 2013

* 2011 CPI basket weights at January 2013 prices, date modified March 27, 2013

Figures in red and parentheses indicate negative.

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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 developed reliable methods of forecasting and analysis.

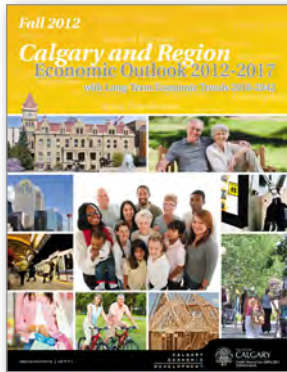
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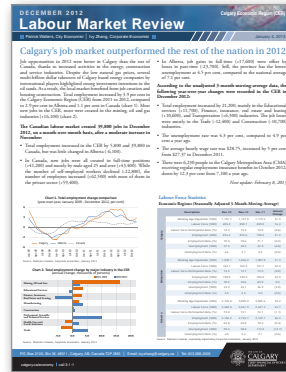
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- ▶ Energy Reports on Natural Gas and Crude Oil

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- ▶ Labour Market Review
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- ▶ A Case of Fiscal Imbalance: The Calgary Experience
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Sources: Statistics Canada, Corporate Economics.