

# Inflation Review

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

August 23, 2013

## Calgary's Consumer Prices Increased by 2.5 per cent July 2013

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

In July 2013, Calgary's headline inflation rose by 2.5 per cent over the same month last year. Consumer prices increased 2.2 per cent in Alberta and 1.3 per cent in Canada in July. (See Chart 1).

Consumer prices rose in seven of the eight major components in Calgary. Significant cost increases were observed in shelter (4 per cent), transportation (2.8 per cent), household operations, furnishings and equipment (2.4 per cent), and food (2 per cent). The only decline was in health and personal care (0.5 per cent).

### Low vacancy rates in Calgary's rental market will get even lower

In July 2013, the 12-month-moving-average for shelter prices in Calgary advanced 1.3 per cent: rented accommodation increased by 2.6 per cent, owned accommodation increased by 1.8 per cent, but water, fuel and electricity decreased by 1.9 per cent.

Recent data from the Canada Mortgage and Housing Corporation (CMHC) shows that Calgary CMA had the lowest vacancy rate among all the major Canadian cities at 1.2 per cent in April 2013. The devastating flood in June took many apartment buildings out of commission, which added pressure to Calgary's already tight rental market. With limited space available, renters and home owners from both the city and other neighboured areas, like High River, that have been displaced by the flood were also looking for temporary accommodations in the rental market. To make matters worse, thousands of post-secondary students are returning to Calgary for the fall semester and migrants are continually moving into Calgary for employment will join the competition for rented accommodations. With high residential demands and low vacancy rates, rental costs should grow faster and thus would contribute to the increase of the overall inflation rate in Calgary in the coming months. (See Chart 2).

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

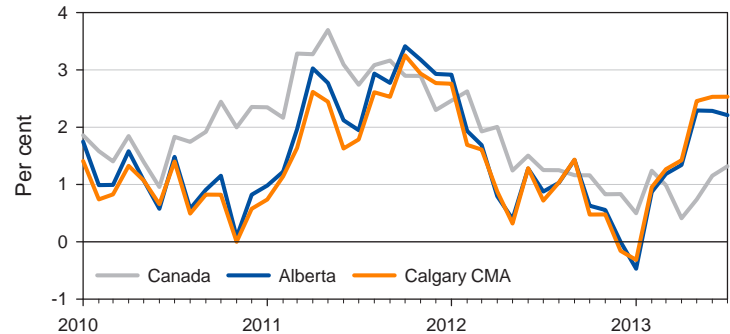
**Food:** The 12-month-moving-average inflation rate for food was 1.8 per cent in July 2013, which contributed 0.29 per cent to Calgary's overall inflation.

**Shelter:** In July 2013, shelter costs increased 1.3 per cent, which contributed 0.34 per cent to Calgary's overall inflation.

**Transportation:** Transportation prices increased 0.6 per cent in July 2013, which contributed 0.13 per cent to the overall inflation in Calgary. Retail gasoline price at the pump advanced 1.7 per cent in July for the 12-month-moving-average.

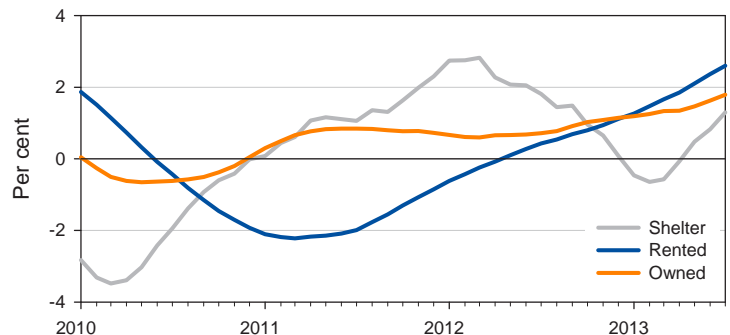
Next release: September 20, 2013

Chart 1. Headline inflation comparison  
(year-over-year change, January 2010 - July 2013, per cent)



Source: Statistics Canada, Corporate Economics, August 2013

Chart 2. Changes in shelter costs in Calgary  
(12-month-moving-average, January 2010 - July 2013, per cent)



Source: Statistics Canada, Corporate Economics, August 2013

### Inflation Rates

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

	Relative Importance (%)*	Jul-13 (%)	Jun-13 (%)	Jul-12 (%)
Calgary: All-items	100.00	1.2	1.0	1.9
Calgary: All-items excluding food and energy	76.49	1.3	1.2	1.3
Food	15.99	1.8	1.9	3.1
Shelter	26.56	1.3	0.8	1.8
Owned accommodation	16.24	1.8	1.6	0.7
Water, fuel and electricity	4.84	(1.9)	(3.7)	9.1
Household operations, furnishing and equipment	12.27	1.8	1.7	1.7
Clothing and footwear	5.88	(0.1)	(0.4)	(1.2)
Transportation	20.44	0.6	0.6	3.4
Gasoline	3.81	1.7	1.3	5.9
Health and personal care	4.65	0.5	0.8	3.3
Recreation, education and reading	11.37	0.7	0.6	(0.2)
Alcoholic beverages and tobacco products	2.83	1.5	1.7	2.0
Alberta: All-items	100.00	1.1	1.0	2.1
Alberta: All-items excluding food and energy	76.49	1.2	1.2	1.4
Canada: All-items	100.00	1.0	1.0	2.3
Canada: All-items excluding food and energy	74.85	0.9	0.9	1.6

Source: Statistics Canada, Corporate Economics, August 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.

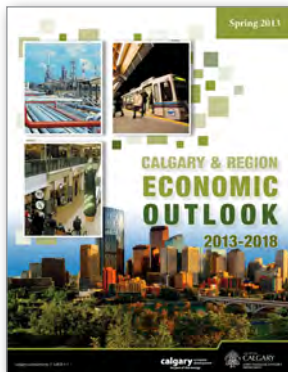
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## Forecasting



- ▶ Calgary & Region Economic Outlook
- ▶ Energy Reports on Natural Gas and Crude Oil

## Information Provision



- ▶ Labour Market Review
- ▶ Inflation Review
- ▶ Current Economic Analysis
- ▶ Construction Inflation

## Policy Analysis



- ▶ A Case of Fiscal Imbalance: The Calgary Experience
- ▶ Diesel Fuel Price Pass-Through in Calgary
- ▶ Calgary Residential and Commercial Real Estate Markets

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Sources: Statistics Canada, Corporate Economics.

