

Inflation Review

Jillian Kohut, Associate Economist | Estella Scruggs, Corporate Research Analyst

April 22, 2014

Calgary's inflation rate hit a post-recession high in March as consumers were hit with a massive spike in natural gas prices.

In March Calgary's inflation rate picked up to its fastest pace in nearly six years. The all-items consumer price index for Calgary advanced 4.6 per cent year-over-year, while the headline inflation figure for Alberta came in at 3.9 per cent. This dragged Calgary's 12-month-moving-average inflation rate up to 2.4 per cent. Although these figures are rather alarming on the surface, it is important to note that the vast majority of the CPI's acceleration stemmed from a massive 81.5 per cent spike in natural gas prices. North America was hit by a particularly cold winter, which led to a sharp increase in demand for heating fuel. Natural gas storage levels plunged, leading to the resulting run-up in prices. Excluding this lone component from the index chops Alberta's inflation rate down to a significantly more benign reading of 2.3 per cent.

Natural gas price data specific to Calgary is unavailable, but the effect is similar if we extract the broader category of water, fuel, and electricity from the city's consumer basket. Overall inflation for the city tumbles two full percentage points to 2.6 per cent. This represents only a modest acceleration from the 2.3 per cent advance in February. Other shelter components in Calgary's inflation report were unremarkable. Rent prices continued to rise at a rate of 3.3 per cent year-over-year, while inflation in owned accommodation costs edged down to 5.5 per cent.

Inflation Rates

	Relative Importance (%)*	Year-over-year			12-Month-Moving-Average		
		Mar-14 (%)	Feb-14 (%)	Mar-13 (%)	Mar-14 (%)	Feb-14 (%)	Mar-13 (%)
Calgary: All-items	100.00	4.6	2.9	1.3	2.4	2.1	0.7
Calgary: All-items excluding water, fuel, and electricity**	95.16	2.6	2.3	1.2	1.8	1.7	1.3
Calgary: All-items excluding food and energy	76.49	3.0	2.7	1.3	2.0	1.9	1.3
Food	15.99	3.2	2.2	2.2	2.2	2.1	1.7
Shelter	26.56	10.6	6.2	2.2	5.1	4.4	(0.6)
Rented accommodation	5.40	3.3	3.3	2.8	3.5	3.4	1.7
Owned accommodation	16.24	5.5	5.6	1.9	3.7	3.4	1.3
Water, fuel and electricity	4.84	42.3	13.1	2.1	13.5	10.1	(9.8)
Household operations, furnishing and equipment	12.27	1.9	1.7	1.7	1.8	1.7	1.7
Clothing and footwear	5.88	0.1	0.1	0.2	0.7	0.7	(0.4)
Transportation	20.44	3.5	1.7	(0.3)	1.3	1.0	1.0
Gasoline	3.81	5.2	(0.1)	(0.9)	1.5	0.9	0.7
Health and personal care	4.65	0.3	(0.1)	(0.6)	(0.6)	(0.6)	1.6
Recreation, education and reading	11.37	1.8	2.5	0.1	0.9	0.7	0.5
Alcoholic beverages and tobacco products	2.83	3.5	2.4	1.1	1.5	1.3	2.0
Alberta: All-items	100.00	3.9	2.4	1.2	2.1	1.8	0.7
Alberta: All-items excluding food and energy	76.49	2.3	2.3	1.2	1.7	1.6	1.3
Alberta: All-items excluding natural gas**	98.46	2.3	2.1	0.9	1.6	1.5	1.0
Canada: All-items	100.00	1.5	1.1	1.0	1.1	1.0	1.2
Canada: All-items excluding food and energy	74.85	1.2	1.1	0.9	0.9	0.9	1.1

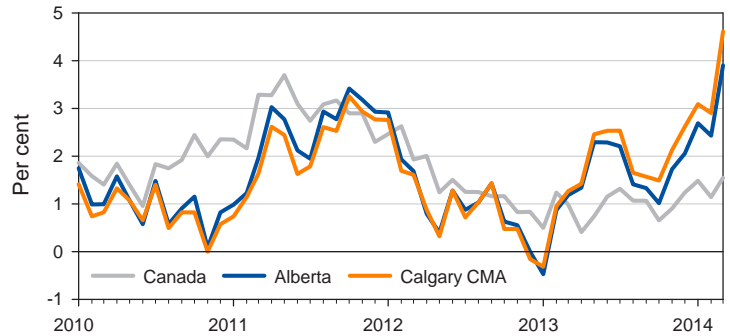
Source: Statistics Canada, Corporate Economics, April 2014

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

** Special Aggregate

Figures in red and parentheses indicate negative.

Chart 1. Headline inflation comparison (year-over-year change, January 2010 - March 2014, per cent)



Source: Statistics Canada, Corporate Economics, April 2014

There were only a few other notable inflation drivers. Food prices climbed 3.2 per cent from March 2013 as the cost of fresh fruit and vegetables increased 10.7 per cent. This group has been on a bit of a tear recently, as the effects of the slumping Canadian dollar and drought in areas such as California have been placing upward pressure on prices. Meanwhile, gasoline prices rebounded 5.2 per cent following a slight 0.1 per cent contraction in February.

Apart from the highly volatile food and energy product groups, Alberta's CPI rose by 2.3 per cent yet again in March. The bottom line is that last month's inflation figures were impacted by transitory factors and do not reflect a broader trend in Calgary's consumer prices. As demand for natural gas prices subsides in spring, natural gas prices will ease up considerably. The cost of groceries may climb somewhat due to the aforementioned depreciation of the loonie and drought effects, but going forward the overall inflation rate should ease substantially.

Next release: May 23, 2014

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Who We Are

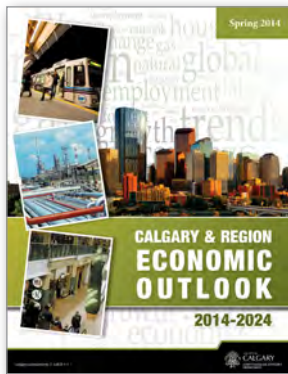
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For more information, please contact:

Jillian Kohut
403.268.5059 or jillian.kohut@calgary.ca

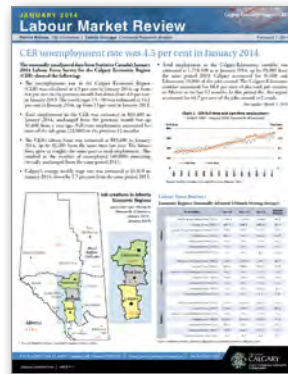
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Corporate Research Analyst: Estella Scruggs

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Sources: Statistics Canada, Corporate Economics.