

# Inflation Review

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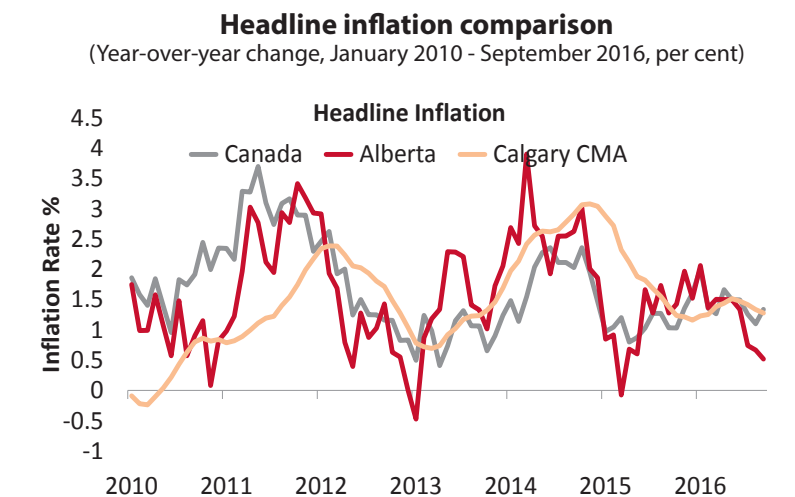
October 21, 2016

## Calgary's headline inflation rate has been slowly easing

The inflation rate in the Calgary metropolitan area (CMA) has increased from about 1.2 per cent year-over-year at the start of the year to about 1.3 per cent in September 2016. Shelter prices have been dropping for the past couple months and they now sit at 0.5 per cent below where they were a year ago. Decreases in prices for rented accommodation are entirely responsible for this. Rents in September 2016 stood 2.2 per cent lower than they were a year ago. However, some landlords are offering one or two months occupancy free to new tenants who sign a 12 month lease and this is not captured in official inflation statistics. As a result, effective rent inflation may be somewhat lower than the official negative 2.2 per cent reported. Meanwhile, prices for owned accommodation continued to escalate albeit at a much reduced pace of 1.05 per cent year-over-year. Adding to the mix, prices for water fuel and electricity in Calgary have eased by 4.4 per cent year-over-year as prices for gasoline and electricity have softened.

Incidentally, the last time oil prices were this low (in both Canadian and US dollars) was 12 years ago. In September 2004 the Canadian price of WTI oil was C\$/bbl 59.16 while in September 2016 the price was 4 percent lower, C\$/bbl 56.54. Comparatively, the price of regular gasoline sold in Calgary in September 2004 was 74.3 c/l while the average price in September 2016 was 92.7c/l. There was a 2 per cent easing in gasoline taxes (reductions in GST) over the time period, so the price differential of 18.4 cents per litre cannot be explained away as increases in taxation.

In Alberta, consumer prices rose 0.5 per cent year-over-year



while nationally the inflation rate was stable at 1.3 per cent. The Bank of Canada's core inflation index, which measures inflation net of the most volatile prices in the economy, stood at 1.97 per cent - almost the same as in August (1.89 per cent). This was a slight increase from September 2015 (1.84 per cent). The Bank of Canada has a policy of adjusting interest rates to nudge inflation as measured by their core index toward a target of 2 per cent. With the Bank's core index stably close to 2 per cent there is little pressure on the Bank of Canada to raise interest rates any time soon. Indeed, in September, the Governor of the Bank of Canada made a speech in which he urged Canadians to get used to lower interest rates.

## Inflation Rates

	Relative Importance (%)*	Year-over-year (12 MMA,%)			Month-over-month (12MMA, %)		
		Sep-16	Aug-16	Sep-15	Sep-16	Aug-16	Sep-15
<b>Calgary: All-items</b>	<b>100.00</b>	<b>1.28</b>	<b>1.33</b>	<b>1.38</b>	<b>(0.44)</b>	<b>0.29</b>	<b>(0.30)</b>
<b>Calgary: All-items excluding food and energy</b>	<b>76.49</b>	<b>1.29</b>	<b>1.29</b>	<b>2.09</b>	<b>0.23</b>	<b>0.07</b>	<b>0.23</b>
Food	15.99	(0.43)	2.21	3.62	(2.51)	0.49	0.07
Shelter	26.56	(0.49)	(0.37)	(0.12)	(0.55)	0.43	(0.43)
Rented accommodation	5.40	(2.24)	(2.09)	2.61	0.00	(0.39)	0.15
Owned accommodation	16.24	1.05	1.11	1.29	(0.05)	0.05	0.00
Water, fuel and electricity	4.84	(4.42)	(3.94)	(8.71)	(3.31)	2.97	(2.84)
Household operations, furnishing and equipment	12.27	0.68	2.19	2.76	(0.90)	0.16	0.59
Clothing and footwear	5.88	(0.59)	(2.21)	0.36	5.24	0.07	3.53
Transportation	20.44	2.11	0.23	(1.76)	(0.45)	0.23	(2.29)
Gasoline	3.81	(8.33)	(15.42)	(15.35)	(2.30)	2.36	(9.86)
Health and personal care	4.65	1.31	2.15	1.32	(0.97)	1.06	(0.15)
Recreation, education and reading	11.37	(0.34)	(1.39)	2.20	0.27	0.07	(0.79)
Alcoholic beverages and tobacco products	2.83	5.20	5.22	5.71	0.25	0.14	0.26
<b>Alberta: All-items</b>	<b>100.00</b>	<b>0.52</b>	<b>0.67</b>	<b>1.28</b>	<b>(0.44)</b>	<b>0.22</b>	<b>(0.30)</b>
<b>Alberta: All-items excluding food and energy</b>	<b>76.49</b>	<b>1.37</b>	<b>1.37</b>	<b>2.25</b>	<b>0.23</b>	<b>0.00</b>	<b>0.23</b>
<b>Canada: All-items</b>	<b>100.00</b>	<b>1.34</b>	<b>1.10</b>	<b>1.03</b>	<b>0.08</b>	<b>(0.16)</b>	<b>(0.16)</b>
<b>Canada: All-items excluding food and energy</b>	<b>74.85</b>	<b>1.97</b>	<b>1.89</b>	<b>1.84</b>	<b>0.40</b>	<b>0.00</b>	<b>0.33</b>

Sources: Statistics Canada, Corporate Economics, October, 2016

\* 2013 CPI basket weights at January 2015 prices, date modified February 26, 2015

Figures in 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 have developed reliable methods of forecasting and analysis.

For more information, please contact:

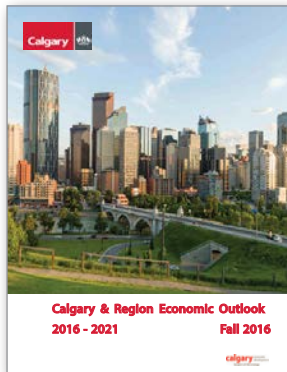
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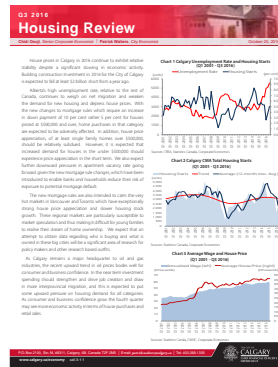
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- ▶ Inflation Review
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- ▶ A Case of Fiscal Imbalance: The Calgary Experience
- ▶ Diesel Fuel Price Pass-Through in Calgary
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Sources: Statistics Canada, Bank of Canada, Corporate Economics

