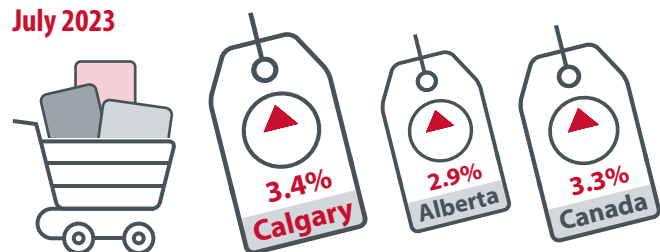


Headline Inflation Comparison

July 2023



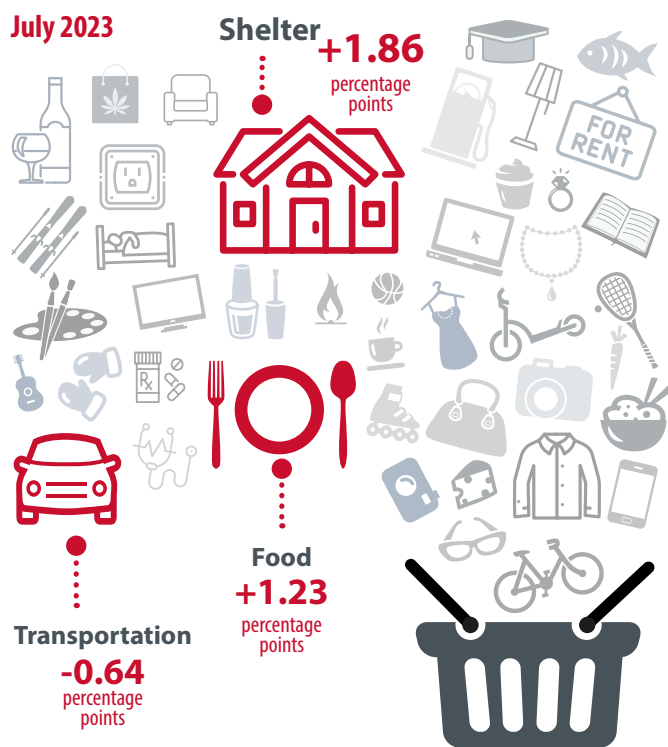
July 2023 inflation in Calgary increases from the multi-year low in June

In July 2023, the headline consumer price index (CPI) in the Calgary Census Metropolitan Area (CMA) increased by 3.4 per cent over the previous twelve months. The inflation rate has picked up from 2.0 per cent year-over-year (y-o-y) in June 2023 – achieving the 2.0 per cent target in Calgary was temporary.

The Bank of Canada (BoC) began its series of hikes to the policy interest rate in March 2022 in response to high inflation. Since then, the BoC has increased the policy rate ten times by a fiery 475 basis points. After pausing the policy rate increases earlier in 2023, the BoC announced additional interest rate hikes of 25 basis points consecutively in June and July. The policy rate currently stands at 5.0 per cent, the highest level in 22 years. The BoC attributes its latest rate hike to robust demand and tight labour markets. Pent-up savings from the lockdowns and population growth from immigration have contributed to unexpected resilient consumer spending, with the latter also easing the shortage of workers. The interest rate hikes strive to tame inflation by discouraging borrowing and spending. The BoC expects inflation in Canada to return to the 2.0 per cent target by the middle of 2025, about two quarters later than its previous forecast in the Spring.

Major Contributors to Alberta's Inflation Rate

July 2023



Inflation in Alberta picks up steam as electricity prices surge and base effects fade

Alberta's y-o-y CPI inflation rate for July increased to 2.9 per cent. The inflation rate for Canada gained momentum at 3.3 per cent. Calgary, Alberta, and Canada experienced an acceleration in the inflation rate compared to June 2023.

Food price inflation in Alberta recorded a 7.6 per cent increase compared to one year ago, a slight improvement from June's reading (when y-o-y food inflation was 7.9 per cent). However, elevated grocery prices continue for many food products, including fresh or frozen chicken (+17.8 per cent), which saw y-o-y inflation greater than 10.0 per cent.

Inflation for shelter costs accelerated to 7.5 per cent y-o-y in Alberta. Higher electricity prices were the main driver, rising astonishingly (+127.8 per cent) in July 2023 from July 2022. The sharp increase in electricity prices is attributable to a surge in the regulator-approved 'Regulated Rate Option' for electricity prices, which hit a record this summer (four to six times higher than the price norm between 2018 and 2020).

Inflation Rates

	Relative Importance (%) *	Year-over-year (%)			Year-to-Date Average (%)
		Jul-23	Jun-23	May-23	
Calgary: All-items	100.00	3.4	2.0	3.5	3.8
Shelter	25.89	9.0	5.4	6.5	6.3
Rented accommodation	5.91	5.0	7.0	7.2	6.3
Owned accommodation	16.14	8.6	8.0	8.6	10.0
Water, fuel and electricity	3.85	15.6	-3.5	-0.7	-4.5
Alberta: All-items	100.00	2.9	1.9	3.1	3.4
Alberta: All-items excluding food and energy	76.10	3.0	2.9	3.3	4.0
Canada: All-items	100.00	3.3	2.8	3.4	4.2
Canada: All-items excluding food and energy	76.57	3.4	3.5	4.0	4.2

* CPI basket weights are based on the 2022 expenditure data, modified in June 2023.

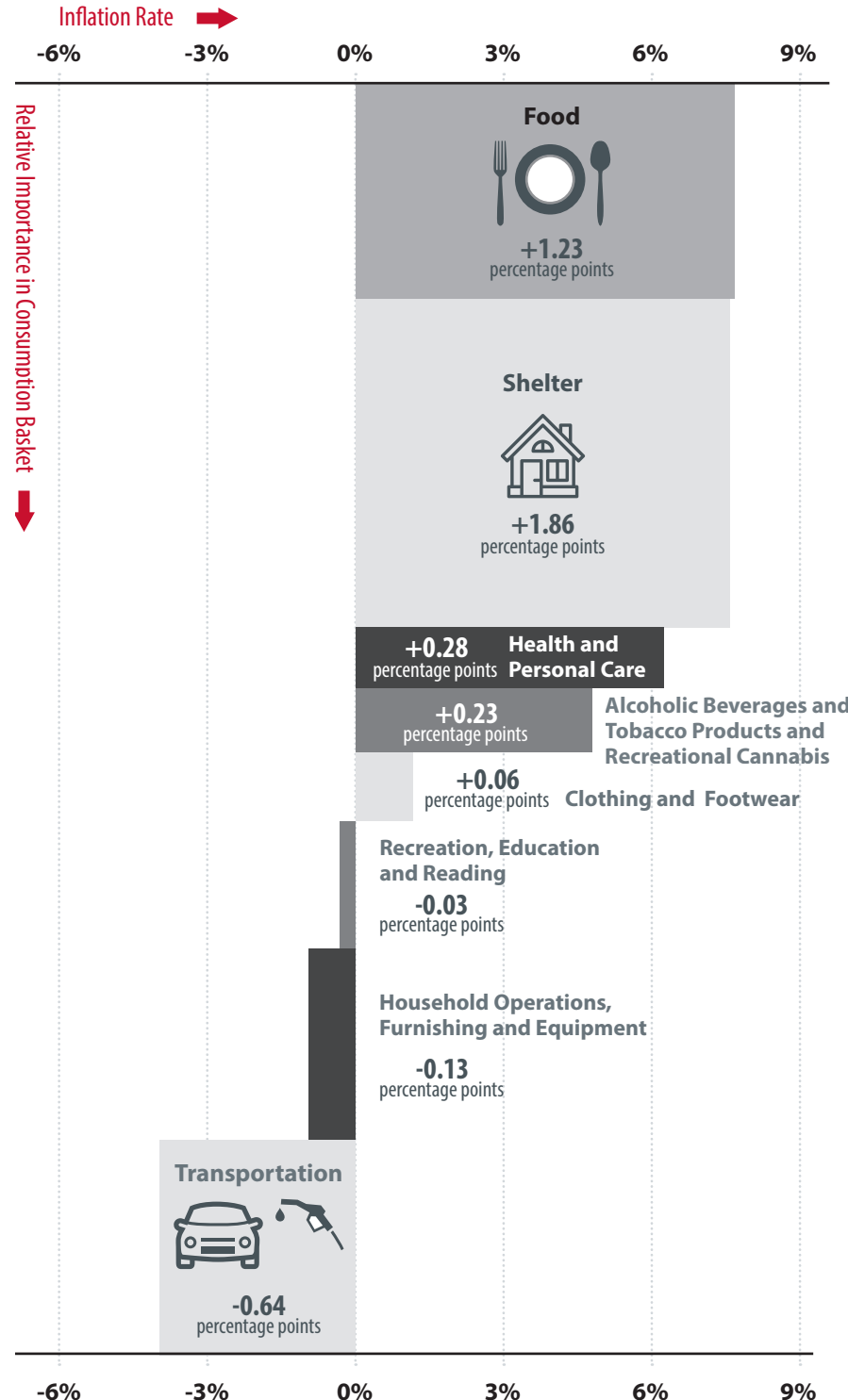
Sources: Statistics Canada, Corporate Economics, August 15, 2023.

The cost of transportation in Alberta fell between July 2022 and July 2023 (-4.0 per cent). A substantial decrease in gasoline prices (-23.9 per cent) contributed to the decline. Lower transportation costs are due to base effects. Specifically, Russia's invasion of Ukraine caused energy prices to skyrocket, effectively rebasing the CPI to a higher level in early 2022.

Besides higher electricity prices, fading base year effects have contributed to a higher inflation rate in Calgary. Base effects played a vital role in the deceleration of inflation over the first half of 2023, but this influence is now fading. As prices stabilized shortly after June 2022, base effects should stop skewing y-o-y inflation downwards.

Contribution of Consumer Items to Inflation: Alberta

July 2023



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.

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Sources:

Bank of Canada, Statistics Canada, Corporate Economics.