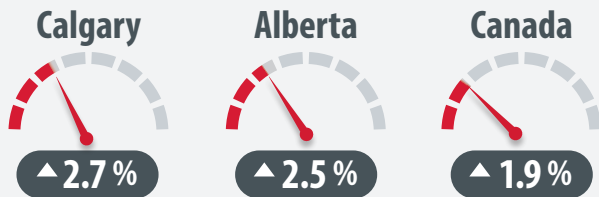


### HIGHLIGHTS

#### Headline Inflation Comparison\*

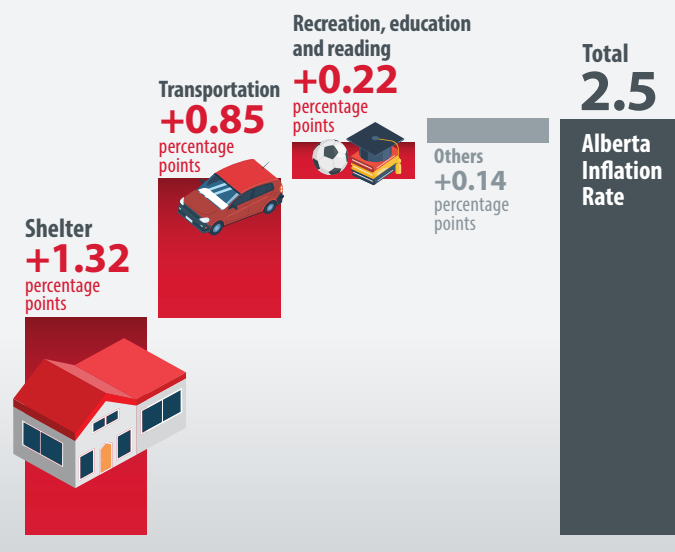
January 2025



\*Compared to the same month last year

#### Top Three Contributors to Alberta's Inflation Rate

January 2025



The total contribution of each product component may not exactly add up to the overall inflation figure due to rounding.

### Inflation Rates

	Relative Importance (%)*	Year-over-year (%)		
		Jan-25	Dec-24	Nov-24
<b>Calgary: All-items</b>	<b>100.00</b>	<b>2.7</b>	<b>2.4</b>	<b>3.0</b>
Shelter	27.18	5.3	4.4	6.6
Rented accommodation	5.49	6.2	4.1	13.1
Owned accommodation	18.02	7.1	7.5	7.8
Water, fuel and electricity	3.67	-3.4	-7.0	-7.3
<b>Alberta: All-items</b>	<b>100.00</b>	<b>2.5</b>	<b>2.5</b>	<b>2.8</b>
Alberta: All-items excluding food and energy	75.39	2.6	2.6	3.0
<b>Canada: All-items</b>	<b>100.00</b>	<b>1.9</b>	<b>1.8</b>	<b>1.9</b>
Canada: All-items excluding food and energy	76.30	2.2	2.1	1.9

\* CPI basket weights are based on the 2023 expenditure data, modified in June 2024. Sources: Statistics Canada, Corporate Economics, February 18, 2025.

### Calgary's inflation rate rose slightly to 2.7 per cent in January 2025, while the national rate edged up to 1.9 per cent

In January 2025, the Consumer Price Index (CPI) for the Calgary Census Metropolitan Area (CMA) rose 2.7 per cent year-over-year (YoY), up from 2.4 per cent in December. Alberta's inflation rate remained unchanged at 2.5 per cent. Meanwhile, Canada's overall inflation rate edged up slightly to 1.9 per cent in January from 1.8 per cent in December. The acceleration in inflation nationwide was primarily driven by higher energy prices, especially gasoline and natural gas prices. For example, in Calgary, gasoline prices increased by 6 per cent month-over-month (MoM). Offsetting these increases, the impact of the GST holiday, which came into effect on December 14, continues to weigh on CPI data, with an estimated 10 per cent of items affected. For instance, in Alberta, prices for food purchased from restaurants declined by 2.0 per cent MoM, after declining by 2.4 per cent in December. In January, core inflation, which excludes volatile items such as food and energy, marginally increased to 2.2 per cent in Canada from 2.1 per cent in December, while holding at 2.6 per cent in Alberta.

On January 29, 2025, the Bank of Canada (BoC) lowered its policy interest rate by 0.25 per for the five consecutive meetings since June 5, 2024 as inflation remains close to 2 per cent target. BoC also announced its plan to end quantitative tightening. According to BoC's January Monetary Policy Report, the CPI inflation is projected to be 2.3 and 2.1 per cent in 2025 and 2026, respectively.

### What are the potential effects of tariffs on inflation?

Per the latest information as of February 18, the U.S. government announced a 25 per cent tariff on all Canadian exports (10 per cent on energy products) but paused implementation for 30 days, except for steel and aluminum tariffs, which were announced on February 10. Recent analysis provides insights into the potential economic effects if these tariffs take effect. Note that the following calibration relies on multiple assumptions<sup>1</sup> and serves as a benchmark rather than a definitive forecast. In short, tariffs are expected to push inflation higher in Canada. Price increases for final consumer goods and intermediate inputs would outweigh the dampening effect of weaker economic conditions. An estimated 13 per cent of the CPI consists of U.S. imports, including both final goods and intermediate inputs. However, the degree of inflationary impact depends on:

1. Substitutability of Canadian exports, which affects the trade volume of Canadian exports to the U.S.
2. Pass-through rates, determining how producer cost increases translate into final consumer prices.

<sup>1</sup> The Bank of Canada's Monetary Policy Report assumes that both the U.S. and Canada impose a 25 per cent tariff on all goods, with half of the revenue transferred to households and the other half allocated to debt servicing. Pass-through rates to consumers increase over time, as businesses gradually raise prices to offset shrinking profit margins.

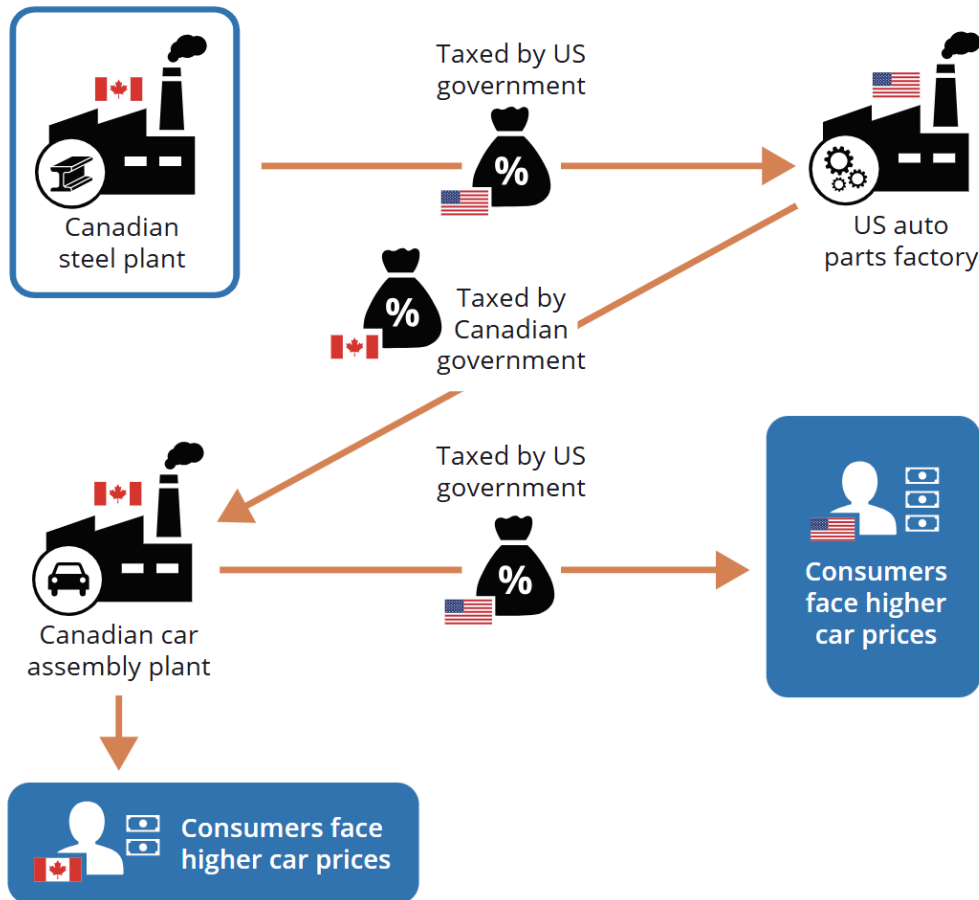
According to the BoC’s Monetary Policy Report, inflation could rise between -0.1 to 0.8 percentage points in the first year relative to a no-tariff scenario, peaking at 1.0 percentage point by the third year. Additional factors—such as Bank of Canada policy decisions, fiscal measures, and currency fluctuations—will also shape inflationary outcomes<sup>2</sup>. A weaker Canadian dollar would raise import costs but could support exports. A study from the first Trump administration era found that a tariff-related tweet led to a 0.023 per cent depreciation of the Canadian dollar<sup>3</sup>. On February 3, the loonie hit its lowest level since 2003, potentially amplifying import-driven inflationary pressures.

## New tax policies in 2025 are impacting inflation in Alberta

With the new year, several policy changes have taken effect, which are already impacting CPI data. Starting January 1, Alberta introduced a provincial vaping tax, expected to generate \$18 million in revenue for 2025-26. In Alberta, prices for tobacco products and smoking supplies saw the second-highest year-over-year increase in Canada, rising 6.1 per cent. A new \$200 annual tax on electric vehicles, projected to raise \$13 million between 2025-27, has also taken effect. However, this has not been reflected in the CPI data, as passenger vehicle registration fees in Alberta have remained unchanged MoM. Additional cost pressures are expected from upcoming federal carbon tax hikes and alcohol tax adjustments in 2025. These policy changes are expected to influence inflation trends and cost-of-living pressures in Alberta throughout the year.

2 <https://thoughtleadership.rbc.com/a-playbook-for-how-to-measure-a-tariff-shock-in-canada/>  
 3 Matveev, D., & Ruge-Murcia, F. (2024). Tariffs and the exchange rate: Evidence from Twitter. IMF Economic Review, 72(3), 1185-1211.

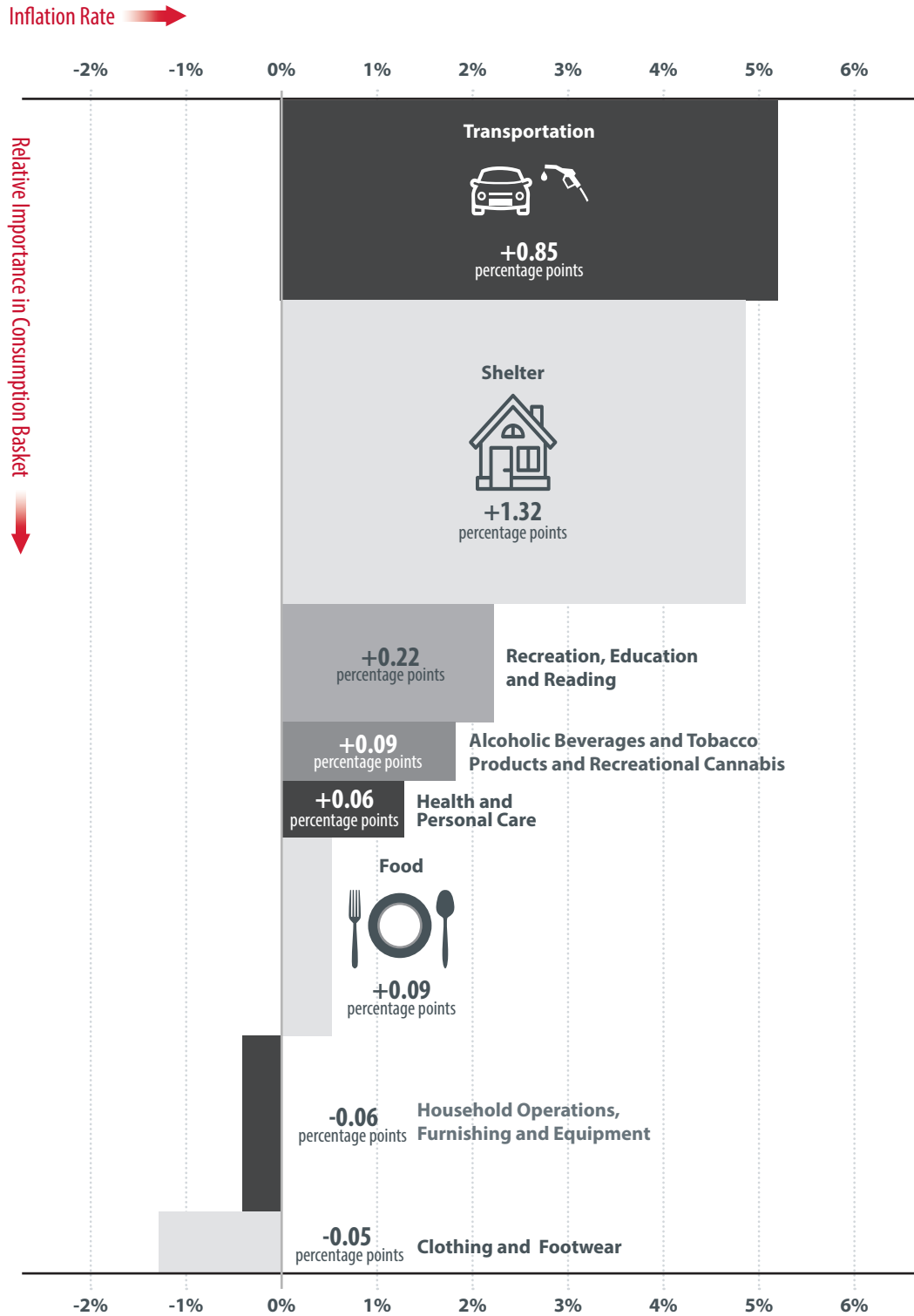
Figure: An illustrative example of how tariffs can potentially impact the entire supply chain



Source: Bank of Canada (2025). Monetary Policy Report January 2025

## Contribution of Consumer Items to Inflation: Alberta

January 2025



The calculation for contribution incorporates the effects of changes in basket weight. The total contribution of each product component may not exactly add up to the overall inflation figure due to rounding.

Sources: Statistics Canada, Corporate Economics, February 18, 2025.

Next release: March 18, 2025

### 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.