

## Edmonton's consumers see inflation ease up

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Consumers in Edmonton got a break as price increases slowed down. After an uptick in February 2015, inflation in the Edmonton region as measured by the Consumer Price Index (CPI) was down in March 2015. Higher costs for both rental and owned accommodation were offset by lower natural gas and electricity prices causing the annual inflation rate in **Edmonton** to drop from 0.9% in February 2015 to a 0.1% rate recorded in March 2015.

Edmonton's annual rate of inflation had run above the national average during most of 2014. However, inflationary pressures evident across Alberta last year have eased significantly since the third quarter of 2014. Nonetheless, housing costs are continuing to move up and inflation in Edmonton will accelerate to the 1.5% range over the course of 2015.

**Calgary's** annual rate of inflation was also down, running at annual rate of -0.1% in March 2015 compared to 1.1% in February 2015. A dramatic drop in natural gas costs was the key factor in taking Calgary's inflation rate into negative territory. Nonetheless, costs for rented and particularly for owned accommodations in Calgary continue to increase at rates above those for both Edmonton and Alberta and will result in a rebound in Calgary's inflation rate over the remainder of 2015.

Annual consumer-based inflation in **Alberta** edged down from February 2015 to March 2015. A 42% plunge in the price of natural gas and lower clothing costs drove the province's annual inflation rate down. On an annual basis, Alberta's inflation rate was -0.1% in March 2015, compared to the 0.9% rate recorded in February 2015.

At the national level, the annual increase in CPI was 1.2% in March 2015—up slightly from the 1.0% rate in February 2015. In March, an uptick in food, clothing and costs related to household operations across **Canada** was partially offset by continuing low prices for gasoline.

### Significance

A low rental vacancy rate is continuing to drive up costs for rental accommodation in the Edmonton region. These developments are putting upward pressure on the shelter component of the Edmonton region's CPI. Consequently, inflation in Edmonton will move up to rates comparable to the national average during 2015.

Canada's core inflation rate, which excludes the most volatile components such as food and energy prices, rose at an annual rate of 2.4% in March 2015, up from the 2.1% rate reported in February 2015.

The 2.4% rate is above the middle of the Bank of Canada's target range of 1.0% to 3.0% for core inflation. The Bank noted in its most recent monetary policy report that recent increases in the core rate reflect temporary factors such as the impact of the recent depreciation of the Canadian dollar on consumer goods. If the core rate does not slow in the coming months, the Bank of Canada will be under growing pressure over the second and third quarter of 2015 to reverse the interest rate reduction announced earlier in late January.

## Consumer Price Index for March 2015

	Mar 2014	Feb 2015	Mar 2015	Feb 2015 to Mar 2015	Mar 2014 to Mar 2015
	2002=100			% change	
<b>Canada</b>	124.8	125.4	126.3	0.7	1.2
<b>Alberta</b>	133.1	132.0	133.0	0.8	-0.1
<b>Edmonton CMA</b>	132.5	131.6	132.6	0.8	0.1
<b>Calgary CMA</b>	133.8	132.6	133.6	0.8	-0.1

Source: Statistics Canada

## Limitations

The CPI is a measure of the change in prices and not their absolute level. Consequently, when compared to the national CPI (126.3), Edmonton's higher CPI (132.6) does not mean that the cost of living in Edmonton is higher than elsewhere. It does, however, indicate that since 2002 prices for consumer goods have risen somewhat faster in Edmonton than in the country as a whole: approximately 33% for Edmonton compared to 26% for Canada.

The CPI reflects the prices consumers pay on a typical basket of goods and services, but it does not reflect all of the inflationary pressures experienced by organizations such as the City of Edmonton. Prices used to determine the CPI represent average consumer purchases such as groceries, clothes, retail goods, rent and mortgage. The CPI does not reflect the type of expenditures required to deliver municipal goods and services, such as construction materials, transportation equipment and professional services.

## Contacts

John Rose  
Chief Economist  
Financial Services & Utilities  
780-496-6070

Grace Kahara  
Senior Economist  
Financial Services & Utilities  
780-496-6600