

## Gasoline prices move Edmonton's inflation rate up

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Prices for consumer goods and services in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), increased from 1.3% in February 2016 to 1.6% in March 2016, on a year-over-year basis. The principal factor behind inflation was a sharp jump in gasoline prices. This higher rate of inflation means Edmonton's consumer price increase is now above the national average.

Costs for rented and owned accommodation eased slightly in March 2016. While the year-over-year change in these two components of the CPI remains positive, over the course of 2016, costs associated with shelter in Edmonton are likely to decrease as rents fall.

**Calgary's** rate of inflation was slightly lower than Edmonton's, running at an annual rate of 1.4% in March 2016—unchanged from the rate recorded in February 2016. Lower shelter-related costs helped to hold Calgary's inflation rate at the lower level.

Annual consumer-based inflation in **Alberta** edged up to 1.5% in March 2016 from 1.4% in February 2016. Gasoline prices rose by an average of 20% across Alberta between February and March. However, this increase was largely offset by decreased shelter and food costs.

At the national level, the annual increase in CPI was 1.3% in March 2016, down marginally from the 1.4% rate recorded in February 2016. Lower costs for clothing and transportation largely made up for a continuing rise in food prices at the national level.

### Significance

With rents and home operating costs easing, housing costs in the Edmonton region are beginning to fall. These developments and the strengthening Canadian dollar will, correspondingly, take pressure off the shelter component of the Edmonton region's CPI and mean that imported consumer items such as fresh fruits and vegetables will be less costly in the second half of 2016. However, rising energy-related prices will counterbalance these developments. As a result, inflation in Edmonton will hold at current levels during the first half of 2016.

Canada's core inflation rate, which excludes the most volatile components such as food and energy prices, rose at an annual rate of 2.1% in March 2016, up slightly from the 1.9% rate reported in February 2016. Core inflation is now firmly set at the middle of the Bank of Canada's

target range of 1.0% to 3.0%, taking pressure off the Bank of Canada to increase interest rates in the coming year to address inflationary issues.

## Consumer Price Index for March 2016

	Mar 2015	Feb 2016	Mar 2016	Feb 2016 to Mar 2016	Mar 2015 to Mar 2016
	2002=100			% change	
<b>Canada</b>	126.3	127.1	127.9	0.6	1.3
<b>Alberta</b>	133.0	133.8	135.0	0.9	1.5
<b>Edmonton CMA</b>	132.6	133.3	134.7	1.1	1.6
<b>Calgary CMA</b>	133.6	134.4	135.5	0.8	1.4

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 (127.9), Edmonton's higher CPI (134.7) 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 35% for Edmonton, compared to 28% 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.

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