

## Edmonton's inflation moves above the national average

*September 18, 2015*

Prices for consumer goods and services in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), moved up from 1.3% in July 2015 to 1.9% in August 2015, on an annual basis. This increase puts Edmonton's inflation rate above the national average.

A temporarily increased price of gasoline and increased rental costs were only partially offset by a decrease in electricity prices in August, causing the annual inflation rate in Edmonton to move up.

Costs for rental and owned accommodation are continuing to rise at a slightly faster pace than seen in previous months. These trends in rental costs will cause inflation in Edmonton to increase in the coming months. The sharp drop in gasoline prices during the second half of 2014 is now gradually working its way out of the inflation measure; therefore, the year-over-year inflation rate will edge up to the 2.0% range over the remainder of 2015.

**Calgary's** rate of inflation was also up, running at an annual rate of 1.6% in August 2015, compared to 1.3% in July 2015. Both rental and owned accommodation costs moved up albeit at a slower pace than in previous months. Just like in Edmonton, Calgary's inflation rate will increase moderately in the second half of 2015.

Annual consumer-based inflation in **Alberta** was up from July 2015 to August 2015. Higher prices for food, gasoline and alcoholic beverages more than made up for a dip in electricity and home heating costs in August. Alberta's inflation rate was 1.7% in August 2015, compared to the 1.3% rate recorded in July 2015.

At the national level, the annual increase in CPI was 1.3% in August 2015—unchanged from the rate seen in July 2015. In August, a rise in clothing prices along with higher costs for household operation balanced a modest decline in transportation-related prices and health care costs across **Canada**.

### 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 during the second half of 2015.

Canada's core inflation rate, which excludes the most volatile components such as food and energy prices, rose at an annual rate of 2.1% in August 2015, which was down from the 2.4% rate reported in July 2015. August marks the 13th month core inflation has been above the middle of the Bank of Canada's target range of 1.0% to 3.0%. Nonetheless, the Bank of Canada reduced its target for overnight interest rates on July 15, 2015 sighting "temporary factors" as the primary cause for core inflation being above target.

## Consumer Price Index for August 2015

	August 2014	July 2015	August 2015	July 2015 to August 2015	August 2014 to August 2015
	2002=100			% change	
<b>Canada</b>	125.7	127.3	127.3	0.0	1.3
<b>Alberta</b>	132.7	134.6	135.0	0.3	1.7
<b>Edmonton CMA</b>	132.2	134.1	134.7	0.4	1.9
<b>Calgary CMA</b>	133.4	135.1	135.5	0.3	1.6

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 (127.3), 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 27% 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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