

## Edmonton's annual inflation down to 1.5%

*November 20, 2015*

Prices for consumer goods and services in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), fell from 1.6% in September 2015 to 1.5% in October 2015, on an annual basis. Even with this reduction, however, Edmonton's inflation rate remains above the national average.

Rental and owned accommodation costs continued to trend upward although at a moderate pace. In the second quarter of 2015, water, fuel and electricity prices dropped sharply; however, they gradually increased over the third quarter of 2015 and continued to increase in October 2015. Over the remainder of the fourth quarter, costs associated with shelter in Edmonton are likely to remain at their current levels.

**Calgary's** rate of inflation was running at an annual rate of 1.5% in October 2015—up from 1.1% in September 2015. Both rental and owned accommodation costs were up on a year-over-year basis while water, fuel and electricity costs declined.

Annual consumer-based inflation in **Alberta** increased to 1.4% in October 2015 from 1.3% in September 2015. Prices were up in five of the seven categories with the rise in the CPI led by higher prices for alcoholic beverages and tobacco products. Shelter and transportation costs declined but not significantly enough to offset the increase in the five categories.

At the national level, the annual increase in CPI was 1.0% in October 2015, unchanged from the September 2015 rate. In October, a rise in food prices along with higher costs for household operations and fixtures were balanced by a decline in transportation-related costs across **Canada**.

### Significance

With rental vacancy rates now beginning to rise, the costs for rental accommodation in the Edmonton region is beginning to stabilize. These developments will take pressure off the shelter component of the Edmonton region's CPI. Consequently, inflation in Edmonton will hold at current levels during the remainder 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 October 2015, unchanged from the rate reported in September 2015. Core inflation is now firmly set at the middle of the Bank of Canada's target

range of 1.0% to 3.0%, taking some pressure off the Bank of Canada to increase policy rates in the coming months.

## Consumer Price Index for October 2015

	October 2014	Sept 2015	October 2015	Sept 2015 to Oct 2015	Oct 2014 to Oct 2015
	2002=100			% change	
<b>Canada</b>	125.9	127.1	127.2	0.1	1.0
<b>Alberta</b>	133.2	134.6	135.1	0.4	1.4
<b>Edmonton CMA</b>	132.8	134.4	134.8	0.3	1.5
<b>Calgary CMA</b>	133.7	135.1	135.7	0.4	1.5

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 (127.2), Edmonton's higher CPI (134.8) 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 34% 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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