

## Edmonton's annual inflation down to 1.6%

*October 23, 2015*

Prices for consumer goods and services in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), fell from 1.9% in August 2015 to 1.6% in September 2015, on an annual basis. Even with this reduction, however, Edmonton's inflation rate remains above the national average.

Lower gasoline and electricity prices counterbalanced the continuing rise in the costs for rental and owned accommodation. These trends, particularly 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 down, running at an annual rate of 1.1% in September 2015, compared to 1.6% in August 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 last quarter of 2015.

Annual consumer-based inflation in **Alberta** was also down from August 2015 to September 2015. Higher prices for food, accommodation and household appliances were offset by a 15% drop in gasoline prices and lower home heating and utility costs across the province. Alberta's September 2015 inflation rate was 1.3%, which is down from the 1.7% rate recorded in August 2015.

At the national level, the annual increase in CPI was 1.0% in September 2015—down from the 1.3% rate seen in August 2015. In September, a rise in food prices along with higher costs for household operations and fixtures were balanced by a decline in transportation-related prices 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 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 September 2015, unchanged from the rate

reported in August 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 of the pressure off the Bank of Canada to increase policy rates in the coming months.

## Consumer Price Index for September 2015

	Sept 2014	August 2015	Sept 2015	August 2015 to Sept. 2015	Sept. 2014 to Sept 2015
	2002=100			% change	
<b>Canada</b>	125.8	127.3	127.1	-0.2	1.0
<b>Alberta</b>	132.7	135.0	134.6	-0.3	1.3
<b>Edmonton CMA</b>	132.3	134.7	134.4	-0.3	1.6
<b>Calgary CMA</b>	133.6	135.5	135.1	-0.4	1.1

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 (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 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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