

Consumer prices in Edmonton edge up

May 22, 2015

Prices for consumer goods and services in the **Edmonton** Census Metropolitan Area (CMA) moved up on an annual basis from 0.1% in March 2015 to 0.7% in April 2015, as measured by the Consumer Price Index (CPI).

Increasing costs for gasoline and rental and owned accommodation in April 2015 were only partially offset by lower natural gas and electricity prices, which caused the annual inflation rate in Edmonton to move up slightly.

Even though Edmonton's annual rate of inflation was above the national average during most of 2014, inflationary pressures evident across Alberta last year have eased significantly since the third quarter of 2014.

Housing costs are continuing to move up and inflation in Edmonton will accelerate. The sharp drop in gasoline prices in the second half of 2014 will gradually work its way out of the inflation measure. Therefore, the year-over-year inflation rate will increase to the 2.0% range over the remainder of 2015.

Calgary's annual rate of inflation was also up, running at an annual rate of 0.8% in April 2015, compared to -0.1% in March 2015. Continuing weak natural gas and electricity costs held the annual inflation below 1%, even as shelter costs continued to increase. Costs for rented and, particularly, for owned accommodations in Calgary continue to increase at rates above those of 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 up from March 2015 to April 2015. A modest rebound in gasoline, electricity and natural gas costs along with increasing rental rates in the housing sector were the principal factors in the April increase in consumer prices in the province. On an annual basis, Alberta's inflation rate was 0.7% in April 2015, compared to the -0.1% rate recorded in March 2015.

At the national level, the annual increase in CPI was 0.8% in April 2015—down slightly from the 1.8% rate in March 2015. In April, a slight drop in food, clothing and housing costs across **Canada** was partially balanced by increased costs for recreation, alcoholic beverages and tobacco products.

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 2.3% in April 2015, which is down marginally from the 2.4% rate reported in March 2015. The 2.3% 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 go down in the coming months, the Bank of Canada will be under growing pressure in the third and fourth quarters of 2015 to reverse the interest rate reduction announced in late January of this year.

Consumer Price Index for April 2015

	Apr 2014	Mar 2015	Apr 2015	Mar 2015 to Apr 2015	Apr 2014 to Apr 2015
	2002=100			% change	
Canada	125.2	126.3	126.2	-0.1	0.8
Alberta	132.2	133.0	133.1	0.1	0.7
Edmonton CMA	131.9	132.6	132.8	0.2	0.7
Calgary CMA	132.6	133.6	133.6	0.0	0.8

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 (126.2), Edmonton's higher CPI (132.8) 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 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.

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