

Edmonton's inflation picks up on higher food prices

February 19, 2016

Prices for consumer goods and services in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), rose from 1.6% in December 2015 to 2.2% in January 2016, on an annual basis. This higher rate of inflation means Edmonton's consumer price increase is now slightly higher than the national average.

Cost for rental and owned accommodation trended upward in January 2016, although, at a moderate pace while home heating and electricity costs went down. Over the remainder of 2016, costs associated with shelter in Edmonton are likely to fall as rents and house prices ease.

Calgary's rate of inflation was slightly lower than Edmonton's, running at an annual rate of 2.0% in January 2016—up from 1.5% in December 2015. Overall shelter costs fell in Calgary during January 2016 as lower fuel and electricity prices more than made up for modest increases in rental and ownership costs.

Annual consumer-based inflation in **Alberta** rose to 2.1% in January 2016 from 1.5% in December 2015. Higher prices for food and alcoholic beverages were the key drivers of higher inflation for Alberta.

At the national level, the annual increase in CPI was 2.0% in January 2016, up from the 1.6% rate recorded in December 2015. In January, a marked rise in food prices — vegetable costs were up 18.2% — along with higher transportation costs greatly contributed to inflation in **Canada**.

Significance

Existing home prices went down year over year in Edmonton, and with rental vacancy rates rising, the costs for rental accommodation in the Edmonton region are beginning to ease. These developments will take pressure off the shelter component of the Edmonton region's CPI. However, the weaker Canadian dollar will mean imported consumer items will be more costly during the remainder of 2016. Consequently, 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 to an annual rate of 2.0% in January 2016, up modestly from the 1.9% rate reported in December 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 pressure off the Bank of Canada to increase interest rates in the coming year to address inflationary issues.

Consumer Price Index for January 2016

	Jan 2015	Dec 2015	Jan 2016	Dec 2015 to Jan 2016	Jan 2015 to Jan 2016
	2002=100			% change	
Canada	124.3	126.5	126.8	0.2	2.0
Alberta	131.0	133.5	133.7	0.1	2.1
Edmonton CMA	130.5	133.2	133.4	0.2	2.2
Calgary CMA	131.7	134.1	134.3	0.1	2.0

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 (126.8), Edmonton's higher CPI (133.4) 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 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.

Contacts

John Rose
Chief Economist
Financial Services & Utilities
780-496-6070

Grace Kahara
Senior Economist
Financial Services & Utilities
780-496-6600