

Edmonton's inflation back in line with national average

August 21, 2015

After several months of accelerating inflation, prices for consumer goods and services in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), eased. Edmonton's annual rate of inflation slipped from 1.5% in June 2015 to 1.3% in July 2015, which brings Edmonton's inflation rate back in line with the national average.

Reduced costs for gasoline and natural gas during the July reference period along with a moderation in the increase of shelter costs in July 2015 were only partially offset by an increase in electricity prices, causing the annual inflation rate in Edmonton to edge down.

Costs for rental and owned accommodation are continuing to rise albeit at a slower pace than seen in previous months. These increases will cause inflation in Edmonton to increase in the coming months. The sharp drop in gasoline prices seen in the second half of 2014 is now gradually working 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 down, running at an annual rate of 1.3% in July 2015, compared to 1.7% in June 2015. Both rental and owned accommodation costs moved up at a slower pace than in previous months. As in Edmonton, Calgary's inflation rate will increase over the second half of 2015.

Annual consumer-based inflation in **Alberta** was down from June 2015 to July 2015. A 30% fall in natural gas prices along with lower gasoline costs more than made up for higher food prices in July. Alberta's inflation rate was 1.3% in July 2015, compared to the 1.7% rate recorded in June 2015.

At the national level, the annual increase in CPI was 1.3% in July 2015—up from the 1.0% rate seen in June 2015. In July, a rise in food and clothing as well as in alcoholic beverages and tobacco products prices more than made up for a continuing slide in energy-related 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 2.4% in July 2015, which is up marginally from the 2.3% rate reported in June 2015. July marks the 12th 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 July 2015

	July 2014	June 2015	July 2015	June 2015 to July 2015	July 2014 to July 2015
	2002=100			% change	
Canada	125.7	127.2	127.3	0.1	1.3
Alberta	132.0	134.5	134.6	0.1	1.3
Edmonton CMA	132.4	134.1	134.1	0.0	1.3
Calgary CMA	133.4	135	135.1	0.1	1.3

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 (134.1) 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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