

Edmonton's inflation down, in line with national average

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Prices for consumer goods and services in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), fell from 2.0% in November 2015 to 1.6% in December 2015, on an annual basis. This lower rate of inflation means Edmonton's consumer price increase is now in line with the national average.

Rental and owned accommodation costs continued to trend upward, although, at a much more moderate pace in December 2015. As well, home heating and electricity costs were down in December. Heading into 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 1.5% in December 2015—down from 2.0% in November 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** slipped to 1.5% in December 2015 from 2.0% in November 2015. Higher food prices were largely offset by lower gasoline and housing costs.

At the national level, the annual increase in CPI was 1.6% in December 2015, up from the 1.4% rate recorded in November 2015. In December, a rise in food prices along with higher costs for housing and furnishings were the key factors in the uptick in inflation for **Canada**.

Significance

With rental vacancy rates now 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 in 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 at an annual rate of 1.9% in December 2015, down modestly from the 2.0% rate reported in November 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 December 2015

	Dec 2014	Nov 2015	Dec 2015	Nov 2015 to Dec 2015	Dec 2014 to Dec 2015
	2002=100			% change	
Canada	124.5	127.1	126.5	-0.5	1.6
Alberta	131.5	134.7	133.5	-0.9	1.5
Edmonton CMA	131.1	134.5	133.2	-1.0	1.6
Calgary CMA	132.1	135.3	134.1	-0.9	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 (126.5), Edmonton's higher CPI (133.2) 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.

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