

## Edmonton's inflation sees small increase

June 19, 2015

After several months of very low price increases for consumer goods and services, inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), moved up again in May. Edmonton's annual rate of inflation rose from 0.7% in April 2015 to 0.9% in May 2015. This brings Edmonton's inflation rate back up to the national average.

Increasing costs for food, gasoline and rents in May 2015 were only partially offset by lower natural gas and electricity prices, causing the annual inflation rate in Edmonton to move up slightly.

Housing costs – and particularly rental costs - are continuing to move up and inflation in Edmonton is expected to follow suit. In addition, the sharp drop in gasoline prices in the second half of 2014 is now gradually reversing, and gas prices are expected to begin contributing to inflation over the coming months. Therefore, the year-over-year inflation rate is expected to increase to the 2.0% range over the remainder of 2015.

**Calgary's** annual rate of inflation was lower, running at an annual rate of 0.4% in May 2015, compared to 0.8% in April 2015. Both rental and owned accommodation costs slowed significantly in Calgary as rents and home prices slipped. However, as with Edmonton, higher energy related costs will push Calgary's inflation rate up over the second half of 2015.

Annual consumer-based inflation in **Alberta** was down marginally from April 2015 to May 2015. A rebound in gasoline and food prices was largely offset by lower costs in the housing sector in May. Alberta's inflation rate was 0.6% in May 2015, compared to the 0.7% rate recorded in April 2015.

At the national level, the annual increase in CPI was 0.9% in May 2015—up slightly from the 0.8% rate in April 2015. In May, a rise in food, household furnishings and appliances as well as alcoholic beverages and tobacco product 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 2.2% in May 2015, which is down marginally from the 2.3% rate reported in April 2015. The 2.2% rate is above the middle of the Bank of Canada's target range of 1.0% to 3.0% for core inflation. 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 May 2015

	May 2014	Apr 2015	May 2015	Apr 2015 to May 2015	May 2014 to May 2015
	2002=100			% change	
<b>Canada</b>	125.8	126.2	126.9	0.6	0.9
<b>Alberta</b>	132.8	133.1	133.6	0.4	0.6
<b>Edmonton CMA</b>	132.1	132.8	133.3	0.4	0.9
<b>Calgary CMA</b>	133.5	133.6	134.1	0.4	0.4

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 (126.9), Edmonton's higher CPI (133.3) 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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