

Non-Res construction cost increases moderate

August 26, 2011 – Increases in construction union wages in the Edmonton area took a break earlier this year, contributing to a drop in the Non-Residential Construction Price Index (NRPCI) in the second quarter. Wage increases dropped from 6% in the first quarter to 4% in the second quarter and are currently at less than 1%.

Statistics Canada numbers show that even with this drop in Edmonton's NRPCI from 5.5 % to a more moderate 3.3 %, the city's NRPCI still remains well above inflation as measured by the Consumer Price Index (CPI), which is currently rising at 2.7%.

As illustrated in Figure 1, Edmonton's NRPCI has moved quickly back into the positive since bottoming out in late 2009. A revival in institutional and other infrastructure spending as part of broader economic stimulus efforts in 2009 and 2010 was a key factor in returning the NRPCI to positive territory. The winding down of stimulus spending this year should hold the NRPCI increase in the 3% to 3.5% range for the next two quarters.

Significance

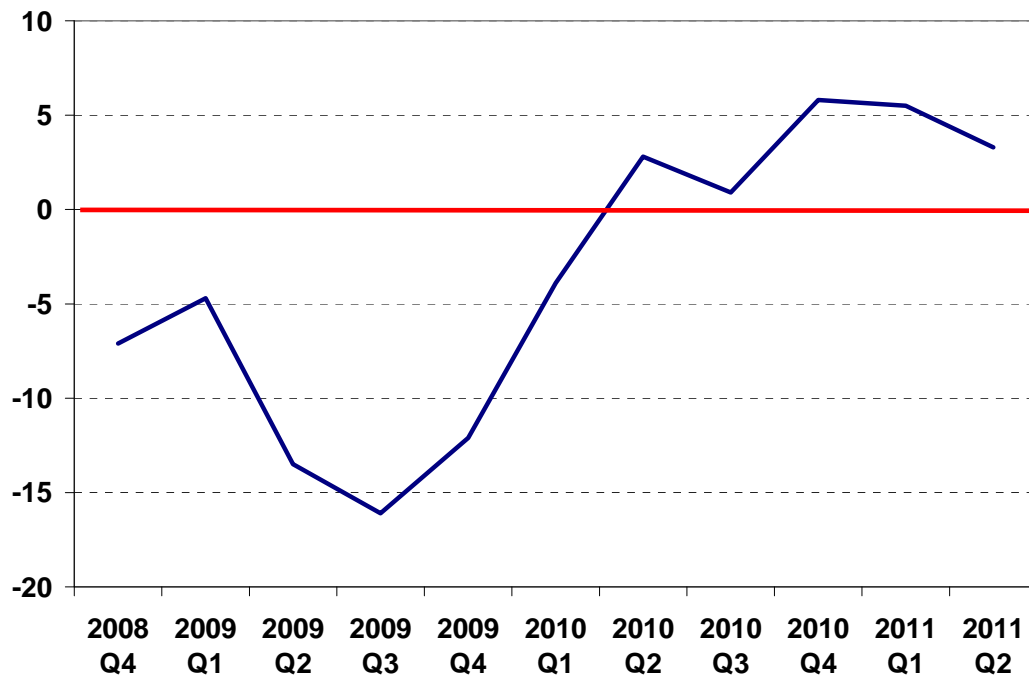
The NRPCI tracks changes in construction costs for materials and labour outside of the residential building sector. When compared with the CPI, it gives a better – though not perfect – indication of the price pressures that the City may face for major construction projects. For Edmonton, the strong upward movement in the NRPCI in late 2010 and early 2011 indicates that pricing pressures have been building in the non-residential construction sector.

It is important to note that Edmonton's NRPCI continues to rise at a rate well above that of the CPI. This means costs in the non-residential construction sector are moving up at a faster pace than prices for most other goods and services in the Edmonton economy. This disparity between Edmonton's NRPCI and CPI is expected to continue.

Limitations

The NRPCI is a measure of the change in prices and not their absolute level. Consequently Edmonton's NRPCI of 160.7 (compared to the composite of 146.2) cannot be used to conclude that construction costs in Edmonton are higher than those of other major metropolitan areas. What it does show is that since 2002 prices for labour and materials in the non-residential construction sector have risen faster in Edmonton than in most other metropolitan areas.

Figure 1 - Non-Residential Building Construction Price Index
Year over Year % Change for the Edmonton CMA



Source: Statistics Canada, Economic Trends and External Research

Table 1 - Non-Residential Building Construction Price Index for Second Quarter 2010

	Q1 2010	Q4 2010	Q1 2011	Q4 2010 to Q1 2011	Q1 2010 to Q1 2011
	(2002=100)			% change	
Composite*	141.7	144.4	146.2	1.2	3.2
Calgary	161.1	162.1	164.2	1.3	1.9
Edmonton	155.6	158.9	160.7	1.1	3.3

Source: Statistics Canada

Composite is a weighted average for Halifax, Montreal, Ottawa, Toronto, Calgary, Edmonton and Vancouver. Edmonton represents 13% of the composite.

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