

Inflation rate slows down in February

March 17, 2021

The annualised rate of change in the Consumer Price Index (CPI) for the **Edmonton** Census Metropolitan Area (CMA) was 0.5 per cent in February 2021, just over half of January's 0.9 per cent. Price growth for the shelter component stayed in positive territory, with increases in the rented accommodation and water, fuel and electricity areas offsetting a 1.4 per cent decline in the index for owned accommodation.

Inflation in **Alberta** slowed from an annualised rate of 0.8 per cent in January to 0.6 per cent in February. Yearly price growth for food picked up its pace in February to 1.5 per cent from 0.3 per cent in January. Shelter prices increased 0.9 per cent in February year-over-year as price growth for utilities more than offset a marginal reduction to growth for owned accommodation. The direction of price growth was evenly split across the eight major components, with notable changes in the transportation category (+3.8 per cent) and clothing and footwear (-9.3 per cent).

The annualised rate of inflation in **Canada** ticked up to 1.1 per cent in February, from one per cent in January. Gasoline prices rose five per cent on an annualized basis, which supported the uptick in consumer-based inflation in February, according to Statistics Canada. The agency also noted that the homeowners' replacement cost index saw the largest annualised gain since February 2007. Higher building costs, low interest rates and strong demand for larger homes were cited as adding pressure to the price of new housing, which lifted the index.

Consumer Price Index for February 2021

	Feb 2020	Jan 2021	Feb 2021	Jan to Feb 2021	Feb 2020 to Feb 2021
	2002=100			% change	
Canada	137.4	138.2	138.9	0.5	1.1
Alberta	145.5	145.8	146.4	0.4	0.6
Edmonton CMA	145.5	145.8	146.2	0.3	0.5

Source: Statistics Canada, Table 18-10-0004-01

Note: This table outlines the percentage change in the monthly CPI reading from the previous month, as well as the same month a year earlier (also known as the annualised rate).

Significance

Inflation in the Edmonton region remained below one per cent for the third consecutive month in February. Price growth for shelter in February continued to be supported by rented accommodation and utilities. Based on provincial data, utility price growth in the Edmonton region was likely driven by higher prices for electricity and natural gas.

The expectation for inflation in the Edmonton region is for an average rate below two per cent in 2021. As economic conditions improve, and consumption begins to return for components that were largely impacted by public health restrictions, a significant amount of economic slack is expected to remain, which will limit upward pressures on inflation.

Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, averaged 1.7 per cent in February, unchanged from January and below the midpoint of the Bank's target range of one to three per cent.

Limitations

The CPI is a measure of the change in prices and not their absolute levels. It reflects the prices consumers pay on a typical basket of goods and services, but not all 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 mortgages. The CPI does not reflect the type of expenditures required to deliver municipal goods and services, such as construction materials, public transit equipment and professional services.

Consequently, when compared to the national CPI, Edmonton's higher CPI does not mean 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 compared to the Canadian average.

Contact

Felicia Mutheardy
Chief Corporate Economist (acting)
Financial and Corporate Services
780-496-6144

Contact for media inquiries

Matt Pretty
Communications Advisor
780-442-0970

