

Inflation rate accelerates to above 3% in July

August 19, 2021

The annualised rate of inflation in the **Edmonton** Census Metropolitan Area (CMA) accelerated to 3.2 per cent in July 2021 from a rate of 2.5 per cent in June. The annualised rate of price growth in the shelter component held steady from the previous month at 2.5 per cent in July, primarily reflective of positive price growth in the utilities (i.e., water, fuel, and electricity) component. Gasoline prices in the Edmonton region continued to see double-digit growth for all fuel types in July.

Consumer Price Index for July 2021

	July 2020	June 2021	July 2021	June to July 2021	July 2020 to July 2021
	2002=100			% change	
Canada	137.2	141.4	142.3	0.6	3.7
Alberta	144.9	148.9	150.3	0.9	3.7
Edmonton CMA	145.2	148.6	149.9	0.9	3.2

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).

In Alberta, the annualised rate of inflation in July was 3.7 per cent, an acceleration from 2.7 per cent in June. The price index for shelter rose by 4.3 per cent year-over-year in July, reflecting higher prices for owned accommodation and utilities. It is worth noting that electricity prices in Alberta increased by 25.1 per cent in July from June. The price acceleration, according to Statistics Canada, was largely due to high summer temperatures driving higher demand for electricity. The national Consumer Price Index (CPI) increased 3.7 per cent year-over-year in July with accelerated price growth in six out of eight major components. Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, averaged 2.5 per cent in July, which is above the Bank's inflation-control target range of one to three per cent.

Inflation in the Edmonton CMA is predicted to average 2.2 per cent in 2021, with upward pressures expected as consumption patterns normalise. There is still a lot of uncertainty as to

how inflation will actually perform, largely due to ongoing developments in how consumption patterns are shifting and energy prices. Though an energy price composite index is not available for the Edmonton CMA, price developments at the provincial level provide insight as to how energy prices may be impacting the region's CPI. The provincial energy price index gained almost 30 per cent year-over-year in July; excluding energy, the annualised inflation rate in the province was 1.9 per cent (compared to 3.7 per cent when energy is included).

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 indicate that since 2002, prices for consumer goods have risen somewhat faster in Edmonton compared to the Canadian average.

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