

Economic Indicators

Downward pressure on inflation eases in May 2020

June 17, 2020

Inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), slowed to a rate of -0.1 per cent year-over-year in May 2020. Though the rate of inflation remained negative in May, it improved slightly from a rate of -0.4 per cent in April. Shelter-related prices rose 0.2 per cent year-over-year in May, with price increases for both owned accommodation and water, fuel and electricity.

The **Calgary CMA's** annual rate of inflation returned to positive territory, rising to 0.1 per cent in May from -0.6 per cent in April. Shelter-related prices in the region increased by 0.8 per cent year-over-year in May, with higher prices for both rented and owned accommodation. Prices for water, fuel and electricity declined 3.3 per cent year-over-year in May for the third consecutive month.

Consumer-based inflation in **Alberta** increased to 0.1 per cent in May, a turnaround from -0.5 per cent in April. Low energy prices continued to hold back inflation in Alberta. Energy prices have seen sharp year-over-year declines since March, largely driven by lower gasoline prices. Excluding energy, consumer-based inflation in Alberta increased to 1.4 per cent in May compared to 1.8 per cent in April.

The annual rate of inflation in **Canada** sunk further in May to -0.4 per cent from -0.2 per cent in April. On a year-over-year basis, prices rose in four of the eight major categories. However, lower prices for transportation contributed the most to the year-over-year decline in the overall inflation rate, largely due to lower gasoline prices. Energy prices declined by 18 per cent year-over-year in May. Excluding energy, the consumer-based inflation rate in Canada was one per cent in May compared to 1.7 per cent in April.

Significance

Although detailed information on inflation in the Edmonton CMA is limited to the shelter category, it would be reasonable to assume that provincial price changes observed in the remaining seven categories would be similar in the region, particularly price changes for energy. Gasoline prices in the Edmonton CMA continued to drop in May, falling by 29 per cent year-over-year. As lower energy prices were a large contributor to the slowdown in provincial and national consumer-based inflation, it is more than likely that the same would apply in the Edmonton CMA. Looking ahead, price distortions for categories such as transportation and energy are expected as economies start to open and activity returns.

Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, declined to an average of 1.7 per cent in May from 1.8 per cent in April.

The core inflation rate in May remained lower than the midpoint of the Bank's target range of one to three per cent.

Consumer Price Index for May 2020

	May 2019	Apr 2020	May 2020	Apr to May 2020	May 2019 to May 2020
	2002=100			% change	
Canada	136.6	135.7	136.1	0.3	-0.4
Alberta	144.0	143.0	144.1	0.8	0.1
Edmonton CMA	144.1	143.2	144.0	0.6	-0.1
Calgary CMA	144.0	143.0	144.2	0.8	0.1

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

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.

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