

Edmonton's inflation rate decreases slightly

October 21, 2016

Annual inflation in the Edmonton Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), was down marginally from 0.7% in August 2016 to 0.6% in September 2016. Lower costs for food, gasoline, electricity and natural gas all contributed to lower inflation along with lower rents and new homeownership costs.

Calgary's rate of inflation continued to run at a slower pace than Edmonton's, coming in at an annual rate of 0.4% in September 2016—down from the 0.6% rate recorded in August 2016. Greater declines in rental costs were the main contributor to Calgary's lower inflation rate when compared to Edmonton.

Annual consumer-based inflation in Alberta was also lower at an annual rate of 0.5% in September 2016 compared to 0.7% in August 2016. In September, lower food and gasoline costs as well as reduced prices for transportation largely offset increases in clothing prices. Inflation for Edmonton, Calgary and Alberta are now well below the national average reflecting the weaker economic conditions and stagnant housing costs in the province.

At the national level, the annual increase in CPI rose slightly from 1.1% in August 2016 to 1.3% in September 2016. Increased costs for transportation and housing offset lower gasoline and food (vegetable and cereal) prices.

Significance

With rental rates continuing to ease, housing costs in the Edmonton region are holding steady. These developments along with the recent firming of the Canadian dollar will take pressure off the shelter component of the Edmonton region's CPI. This will have a positive impact on imported consumer items such as food and clothing which will be less costly in the fourth quarter of 2016. However, rising energy-related prices driven by the recent increase in oil and natural gas prices will outweigh these trends. As a result, inflation in Edmonton should gradually rise during the final quarter of 2016.

Canada's core inflation rate, which excludes the most volatile components such as food and energy prices, rose at an annual pace of 1.8% in September, unchanged from the rate reported in August 2016. Core inflation is now slightly below the middle of the Bank of Canada's target range of 1.0% to 3.0%. This fact along with the sluggish performance of the Canadian economy means the Bank of Canada may consider additional interest rate cuts in early 2017.

Consumer Price Index for September 2016

	Sep 2015	Aug 2016	Sep 2016	Aug 2016 to Sep 2016	Sep 2015 to Sep 2016
	2002=100			% change	
Canada	127.1	128.7	128.8	0.1	1.3
Alberta	134.6	135.9	135.3	-0.4	0.5
Edmonton CMA	134.4	135.6	135.2	-0.3	0.6
Calgary CMA	135.1	136.3	135.7	-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 (128.8), Edmonton's higher CPI (135.2) 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 compared to the Canadian average: approximately 35% for Edmonton, compared to 29% 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 mortgages. 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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