



Economic Indicators

Inflation stabilizes in April 2019

May 15, 2019

Inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), held steady at an annual rate of 2.1 per cent in April 2019 compared to March. Shelter-related costs increased 3.2 per cent on a year-over-year basis in April 2019 largely due to higher costs in the water, fuel and electricity component. However, upward pressure on the region's overall inflation rate has eased in this component with a nine per cent year-over-year increase in April 2019 compared to 12 per cent in March.

Calgary's rate of inflation came down in April 2019 to 1.8 per cent year-over-year from 2.1 per cent in March. Shelter-related costs rose 2.2 per cent year-over-year in April 2019 due to higher costs related to home ownership as well as water, fuel and electricity. Similar to Edmonton, the year-over-year increase in costs related to water, fuel and electricity slowed in April 2019 compared to March. However, the slowdown in costs within this component was much more apparent than in Edmonton with an approximate five per cent gain in April 2019 compared to an almost 13 per cent jump in March.

Consumer-based inflation in **Alberta** ticked down to 2.2 per cent in April 2019 from 2.3 per cent in March. Higher costs related to shelter and transportation were the main contributors to the inflation reading in April. Upward pressure on inflation from gasoline prices have subsided compared to what was observed in 2018.

In **Canada**, the annual rate of change in CPI was two per cent in April 2019, a marginal increase from 1.9 per cent in March. Seven of the eight major components saw prices rise, with shelter-related costs contributing most to April's uptick.

Significance

Shelter-related costs in the Edmonton region are continuing to increase at a slightly more rapid pace than in the rest of Canada. Higher fuel and electricity-related costs kept inflation in Edmonton above two per cent. Looking ahead, there may be accelerated inflation by way of increased costs for imported consumer goods such as food, clothing and electronics in response to depreciation in the Canadian dollar and tariffs on selected imports from the United States. As a result, inflation in Edmonton is expected to be slightly above two per cent over the remainder of 2019.

Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, ticked down month-over-month to 1.9 per cent in April 2019. This is just below the midpoint of the Bank's target range of one to three per cent.

Though Canada's core inflation rate is close to the midpoint of the Bank's target range, it is looking increasingly unlikely that the Bank will raise rates in 2019.

Consumer Price Index for April 2019

	Apr 2018	Mar 2019	Apr 2019	Mar 2019 to Apr 2019	Apr 2018 to Apr 2019
	2002=100			% change	
Canada	133.3	135.4	136.0	0.4	2.0
Alberta	140.6	143.1	143.7	0.4	2.2
Edmonton CMA	140.7	143.0	143.7	0.5	2.1
Calgary CMA	141.2	143.3	143.8	0.4	1.8

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 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, public transit equipment and professional services.

Consequently, when compared to the national CPI (136.0), Edmonton's higher CPI (143.7) 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: approximately 44 per cent for Edmonton, compared to 36 per cent for Canada.

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