

Edmonton's inflation rate sitting at 2.6%

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Annual inflation in the Edmonton Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), increased from 1.1% in December 2016 to 2.6% in January 2017. Lower costs for food and rental housing were balanced by a rise in the cost of gasoline and natural gas on an annualized basis.

Calgary's rate of inflation was running at a slightly slower pace than Edmonton's, coming in at an annual rate of 2.3% in January 2017— up from 0.9% in December 2016. A more rapid decline in rental accommodation costs was the main contributor to Calgary's lower inflation rate when compared to Edmonton.

Consumer-based inflation in Alberta increased to an annual rate of 2.5% in January 2017 compared to 1.0% in December 2016. In December, lower food and electricity costs were offset by an increase in natural gas and gasoline prices. Over the past twelve months, gasoline costs have risen 33.9% in Alberta, while natural gas for home heating rose 42.3%. While higher oil prices were the main cause for the increased gasoline prices, Alberta's new carbon tax added 4.49 cents per liter.

At the national level, the annual rate of change in CPI rose from 1.5% in December 2016 to 2.1% in January 2017. The increased cost for gasoline and natural gas were only partially offset by lower food prices.

Significance

As rental rates continue to ease, overall housing costs in the Edmonton region are holding steady; however the cost of home ownership are edging higher mostly due to higher heating costs.

The recent weakening in the Canadian dollar will have a negative impact on imported consumer items such as food and clothing by increasing costs in the in the first half 2017. As well, the new carbon tax and increase in minimum wage in Alberta will continue to push prices for selected goods and services higher. As a result, inflation in Edmonton should hold at the 2.5 % range over the coming months and then ease back to a level closer to 2% in the second half of the year.

Canada's core inflation rate, as reflected in the three adjusted measures of consumer prices tracked by the Bank of Canada, were at, or slightly below, the middle of the Bank of Canada's target range of 1.0% to 3.0%. This fact along with the mixed performance of the Canadian

economy means the Bank of Canada will leave its short term interest rates unchanged in the first half of 2017.

Consumer Price Index for January 2017

| | Jan 2016 | Dec 2016 | Jan 2017 | Dec 2016 to Jan 2017 | Jan 2016 to Jan 2017 |
|---------------------|----------|----------|----------|----------------------|----------------------|
| | 2002=100 | | | % change | |
| Canada | 126.8 | 128.4 | 129.5 | 0.9 | 2.1 |
| Alberta | 133.7 | 134.9 | 137.0 | 1.6 | 2.5 |
| Edmonton CMA | 133.4 | 134.7 | 136.9 | 1.6 | 2.6 |
| Calgary CMA | 134.3 | 135.3 | 137.4 | 1.6 | 2.3 |

Source: Statistics Canada

Limitations

The CPI is a measure of the change in prices and not their absolute level. 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, transportation equipment and professional services.

Consequently, when compared to the national CPI (129.5), Edmonton's higher CPI (136.9) 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 37% for Edmonton, compared to 29% for Canada.

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