

## Edmonton's inflation rate up from September 2016

*November 18, 2016*

Annual inflation in the Edmonton Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), was up slightly from 0.6% in September 2016 to 0.7% in October 2016. Lower costs for food and energy prices were more than offset by a rise in the costs of home ownership on an annualized basis.

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 October 2016— unchanged from the rate recorded in September 2016. Faster falling rental and owned accommodation costs were the main contributors to Calgary's lower inflation rate when compared to Edmonton.

Annual consumer-based inflation in Alberta was also unchanged at an annual rate of 0.5% in October 2016 compared to September 2016. In October, lower food and gasoline costs were largely offset by increases in clothing and alcohol beverage prices. Inflation for Edmonton, Calgary and Alberta remains well below the national average reflecting the weaker economic conditions and sluggish housing costs in the province.

At the national level, the annual increase in CPI rose from 1.3% in September 2016 to 1.5% in October 2016. Increased costs for transportation, housing and health care were partially offset by lower clothing and food prices.

### Significance

With rental rates continuing to ease, overall housing costs in the Edmonton region are holding steady. However, the recent weakening in the Canadian dollar will have a negative impact on imported consumer items such as food and clothing, which will be more costly in the last months of 2016 and early 2017. As well, rising energy-related prices driven by the recent increase in oil and natural gas prices will reinforce the trend to higher prices. As a result, inflation in Edmonton should gradually rise toward the 2% range over the coming months.

Canada's core inflation rate, which excludes the most volatile components such as food and energy prices, rose at an annual pace of 1.7% in October, down marginally from the rate reported in 1.8% set in September 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 will leave its short term interest rates unchanged in the first half of 2017.

## Consumer Price Index for October 2016

	Oct 2015	Sep 2016	Oct 2016	Sep 2016 to Oct 2016	Oct 2015 to Oct 2016
	2002=100			% change	
Canada	127.2	128.8	129.1	0.2	1.5
Alberta	135.1	135.3	135.8	0.4	0.5
Edmonton CMA	134.8	135.2	135.7	0.4	0.7
Calgary CMA	135.7	135.7	136.3	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 (129.1), Edmonton's higher CPI (135.7) 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 36% 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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