

Economic Indicators

Inflation in Edmonton on the rise

April 20, 2018

Annual inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), rose from an annual rate of 2.3% in February 2018 to 2.4% in March 2018. Increases in March 2018 were observed on a year-over-year basis for all shelter-related costs, with a particularly strong jump in costs related to water, natural gas and electricity, as well as gasoline.

Calgary's rate of inflation was also up, rising to 2.3% in March 2018 from 2.2% in February 2018. Rental accommodation costs remained lower on a year-over-year basis and were a likely key contributor to Calgary's slightly lower inflation rate relative to Edmonton.

Consumer-based inflation in **Alberta** rose from 2.2% in February 2018 to an annualized rate of 2.3% in March 2018. The increase was largely attributed to higher gasoline costs, which were 21.6% higher on a year-over-year basis. Across provinces, gasoline costs rose at the fastest rate in Alberta. Housing-related costs also rose, though at a slower pace in March 2018 compared to the previous month.

In **Canada**, the annual rate of change in CPI was up from 2.2% in February to 2.3% in March 2018. The year-over-year gain in the CPI was largely attributed to higher costs related to energy, particularly gasoline prices.

Significance

Shelter-related costs in the Edmonton region are now increasing at a slightly more rapid pace when compared to the rest of Canada. The rise in shelter-related costs is largely due to higher fuel and electricity costs, which are putting some upward pressure on overall inflation in Edmonton. Additional pressure may also come by way of increased costs for imported consumer items such as food, clothing and consumer electronics due to the recent depreciation in the Canadian dollar. As a result, inflation in Edmonton is expected to remain above 2.0% over the coming months.

Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, has been trending higher over the past several months. These measures averaged 2.0% in March, which is the midpoint of the Bank's target range of 1.0% to 3.0%. With further interest rate increases expected in the United States, the Bank of Canada is likely to continue raising interest rates—although at a moderate pace—over the course of 2018.

Consumer Price Index for March 2018

	Mar 2017	Feb 2018	Mar 2018	Feb 2018 to Mar 2018	Mar 2017 to Mar 2018
	2002=100			% change	
Canada	129.9	132.5	132.9	0.3	2.3
Alberta	136.8	139.7	139.9	0.1	2.3
Edmonton CMA	136.7	139.8	140.0	0.1	2.4
Calgary CMA	137.3	140.2	140.4	0.1	2.3

Source: Statistics Canada

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 (132.9), Edmonton's higher CPI (140.0) 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 40% for Edmonton, compared to about 33% for Canada.

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