

Fuel and electricity costs lift inflation above two per cent in March

April 17, 2019

Inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), jumped from an annual rate of 1.6 per cent in February 2019 to 2.1 per cent in March 2019. Shelter-related costs, particularly water, fuel and electricity costs, increased four per cent on a year-over-year basis in March 2019. Within the water, fuel and electricity component, power and gas prices in the Edmonton CMA were the driving forces behind the jump in Edmonton's inflation rate in March 2019.

Calgary's rate of inflation rose in March 2019 to 2.1 per cent compared to 1.4 per cent in February. Shelter-related costs increased 3.8 per cent year-over-year in March 2019. Similar to Edmonton, there was a pronounced jump in the water, fuel and electricity component which rose almost 13 per cent year-over-year in March 2019. This brought Calgary's inflation rate in line with Edmonton's.

Consumer-based inflation in **Alberta** increased to 2.3 per cent in March 2019 from 1.6 per cent in February 2019. The jump was largely due to higher energy-related costs, particularly for gasoline and natural gas. Natural gas prices in Alberta saw the fastest rate of increase across provinces, rising 22.8 per cent year-over-year in March 2019.

In **Canada**, the annual rate of change in CPI was 1.9 per cent in March 2019, an increase from 1.5 per cent in February 2019. Though all eight major components saw prices rise, higher transportation-related costs drove the overall increase.

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 gas-related costs have been putting upward pressure on inflation in Edmonton in the first quarter of 2019. 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 recent depreciation in the Canadian dollar and tariffs on selected US imports. As a result, inflation in Edmonton is expected to be above two per cent over the latter part of 2019.

Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, moved higher month-over-month to two per cent in March 2019. This is the midpoint of the Bank's target range of 1.0 to 3.0 per cent.

Though Canada’s core inflation rate is at the midpoint of the Bank’s target range, it is looking increasingly unlikely that the Bank will increase rates in 2019.

Consumer Price Index for March 2019

	Mar 2018	Feb 2019	Mar 2019	Feb 2019 to Mar 2019	Mar 2018 to Mar 2019
	2002=100			% change	
Canada	132.9	134.5	135.4	0.7	1.9
Alberta	139.9	142.0	143.1	0.8	2.3
Edmonton CMA	140.0	142.0	143.0	0.7	2.1
Calgary CMA	140.4	142.2	143.3	0.8	2.1

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 (135.4), Edmonton’s higher CPI (143.0) 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 43 per cent for Edmonton, compared to about 35 per cent for Canada.

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