

Inflation rate holds steady in Edmonton

September 18, 2019

Inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), was unchanged at an annual rate of 1.3 per cent between July and August 2019. On a year-over-year basis, rented accommodation costs rose 2.7 per cent in August 2019. Costs related to water, fuel and electricity were up significantly by 4.7 per cent in August 2019 when compared with August of last year. However, the costs for owned accommodation were up by only 1.5 per cent year-over-year in August 2019. As a result, overall shelter costs were up 2.5 per cent year-over-year in August 2019 compared to almost 1.9 percent in July. These price increases were offset by lower costs for gasoline, which reduced upward pressure on Edmonton's overall inflation rate and left inflation unchanged in August 2019.

Calgary's rate of inflation in August 2019 edged slightly higher to 0.9 per cent from 0.8 per cent in July. Shelter-related costs rose by 1.3 per cent in August 2019 on a year-over-year basis as utility costs were unchanged.

The rate of consumer-based inflation in **Alberta** was also unchanged at 1.3 per cent in August when compared to July 2019. On a year-over-year basis, food-related costs were almost four per cent higher in August 2019 while gasoline prices were down 21 per cent, compensating for the rise in other price categories.

In **Canada**, the annual rate of change in CPI was 1.9 per cent in August 2019 which was slightly lower than the two per cent value recorded in July. Higher air transportation and natural gas costs were balanced by a reduction in costs related to gasoline.

Significance

Shelter-related costs in the Edmonton region rose at a more rapid pace than the rest of Canada in August 2019, largely due to increased upward pressure on water, fuel and electricity costs. 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. As well, recent international developments suggest that gasoline prices are likely to rise in the coming months. As a result, inflation in Edmonton is expected to be in the range of 1.5 to 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, held month-over-month at two per cent in August 2019. This is exactly the midpoint of the Bank's target range of one to three per cent.

With Canada's core inflation rate at the middle of the Bank's target range, it is looking

increasingly unlikely that the Bank will reduce interest rates in the coming months.

Consumer Price Index for August 2019

	Aug 2018	July 2019	Aug 2019	July 2019 to Aug 2019	Aug 2018 to Aug 2019
	2002=100			% change	
Canada	134.2	137.0	136.8	-0.1	1.9
Alberta	141.6	143.6	143.4	-0.1	1.3
Edmonton CMA	141.8	143.8	143.6	-0.1	1.3
Calgary CMA	142.1	143.5	143.4	-0.1	0.9

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 (136.8), Edmonton's higher CPI (143.6) 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 about 37 per cent for Canada.

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