

## Inflation jumps to 2.7% in Edmonton

*December 21, 2017*

Annual inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), jumped from 1.3% in October 2017 to 2.7% in November. The increase in November was attributed to higher costs for shelter as well as a sharp spike in gasoline prices early in the month.

**Calgary's** rate of inflation also increased, though at a marginally slower rate than Edmonton's, coming in at an annualized rate of 2.6% in November 2017 compared to 1.4% in October 2017. A drop in rental accommodation costs was the key contributor to Calgary's lower inflation rate relative to Edmonton's.

Consumer-based inflation in **Alberta** rose from an annualized rate of 1.3% in October 2017 to 2.5% in November 2017. Between November 2016 and November 2017 gasoline and electricity prices were the main contributors to the overall inflation rate.

In **Canada**, the annual rate of change in CPI was up from 1.4% in October 2017 to 2.1% in November 2017. Higher costs related to transportation and clothing over the past year have more than made up for lower prices for health and personal care.

### Significance

Shelter-related costs in the Edmonton region are now increasing at a slightly more rapid pace but are still modest when compared to the rest of Canada. This will act to moderate Edmonton's inflation rate in the coming months. However, increasing gasoline and electricity prices are putting some upward pressure on overall inflation in Edmonton.

The rise in the Canadian dollar earlier this year will moderate the cost of imported consumer items, such as food, clothing and consumer electronics. Consequently inflation in Edmonton should return to a range around 1.5% over the coming months and then rise towards 2% as the local economy gains momentum through 2018.

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 approximately 1.7% in November which is closer to the midpoint of the Bank's target

range of 1.0% to 3.0%. Combined with further interest rate increases expected in the United States, this means the Bank of Canada will continue raising interest rates—albeit at a moderate pace—in the first half of 2018.

## Consumer Price Index for November 2017

	Nov 2016	Oct 2017	Nov 2017	Oct 2017 to Nov 2017	Nov 2016 to Nov 2017
	2002=100			% change	
<b>Canada</b>	128.6	130.9	131.3	0.3	2.1
<b>Alberta</b>	135.0	137.6	138.4	0.6	2.5
<b>Edmonton CMA</b>	134.8	137.5	138.5	0.7	2.7
<b>Calgary CMA</b>	135.4	138.2	138.9	0.5	2.6

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 (131.3), Edmonton's higher CPI (138.5) 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 39% for Edmonton, compared to about 31% for Canada.

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