

Economic Indicators

Edmonton's inflation drops below 2% in November

December 19, 2018

Inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), moved lower from an annual rate of 3.0% in October 2018 to 1.6% in November. Shelter-related costs, particularly for costs related to natural gas and electricity, increased on a year-over-year basis in November 2018. In Edmonton, gasoline prices were almost 5% lower year-over-year in November which eased upward pressures on inflation compared to previous months this year.

Calgary's rate of inflation was also down from 2.5% in October 2018 to 1.4% in November. As in previous months, although shelter-related costs have increased, the pace of growth for home ownership costs was lower in Calgary than in Edmonton. This resulted in a lower overall rate of inflation.

Consumer-based inflation in **Alberta** dropped from 2.8% in October 2018 to 1.7% in November. As with Calgary and Edmonton, utilities-related costs for homeowners were a key driver of inflation. However, lower energy-related prices, particularly gasoline, held back the annual rate of change in November compared to previous months this year.

In **Canada**, the annual rate of change in CPI was 1.7% in November 2018, a reduction from a 2.4% increase in October. The slower rate of change in November was primarily attributed to recent declines in gasoline prices.

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 electricity related costs are putting some upward pressure on inflation in Edmonton, though the annual rate of change in November eased compared to previous months in 2018 due to lower gasoline prices. Looking ahead, there may be additional acceleration in inflation by way of increased costs for imported consumer goods such as food, clothing and electronics in response to the recent depreciation in the Canadian dollar and the introduction of tariffs on selected US imports. As a result, inflation in Edmonton is expected to remain above 1.5% over the coming months.

Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, decreased marginally from 2.0% in October to 1.9% in November which is just below 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 — into 2019.

Consumer Price Index for November 2018

	Nov 2017	Oct 2018	Nov 2018	Oct 2018 to Nov 2018	Nov 2017 to Nov 2018
	2002=100			% change	
Canada	131.3	134.1	133.5	-0.4	1.7
Alberta	138.4	141.4	140.7	-0.5	1.7
Edmonton CMA	138.5	141.6	140.7	-0.6	1.6
Calgary CMA	138.9	141.7	140.9	-0.6	1.4

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 (133.5), Edmonton's higher CPI (140.7) 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 41% for Edmonton, compared to about 34% for Canada.

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