

Inflation in Edmonton continues to slow

February 23, 2018

Annual inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), fell from an annual rate of 2.2% in December 2017 to 1.5% in January 2018. The decrease in January was driven largely by marginally lower fuel and electricity related costs year-over-year compared to the large increase seen in December. This partially offset modest increases in shelter-related costs.

Calgary's rate of inflation also decreased, falling to 1.4% in January 2018 compared to 2.0% in December 2017. A continuing drop in rental accommodation costs was the key contributor to Calgary's lower inflation rate relative to Edmonton's.

Consumer-based inflation in **Alberta** fell from 2.0% in December 2017 to an annualized rate of 1.4% in January 2018. As was the case in Edmonton, shelter-related costs rose very slowly in January. Natural gas prices in Alberta fell almost 15% in January 2018, which moderated the impact of higher gasoline and food prices across the province.

In **Canada**, the annual rate of change in CPI was down slightly from 1.9% in December to 1.7% in January 2018. The year-over-year gain in the CPI was largely attributed to higher costs related to transportation, shelter and food.

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 prices related to gasoline and food are putting some upward pressure on overall inflation in Edmonton.

The recent rise in the Canadian dollar this year will moderate the cost of imported consumer items, such as food, clothing and consumer electronics. Consequently, inflation in Edmonton should hold in a range around 1.5% over the coming months and then rise back toward 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 1.8% in January which is close to 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 expected to continue raising interest rates—albeit at a moderate pace—in the first half of 2018.

Consumer Price Index for January 2018

	Jan 2017	Dec 2017	Jan 2018	Dec 2017 to Jan 2018	Jan 2017 to Jan 2018
	2002=100			% change	
Canada	129.5	130.8	131.7	0.7	1.7
Alberta	137	137.6	138.9	0.9	1.4
Edmonton CMA	136.9	137.6	139	1.0	1.5
Calgary CMA	137.4	138.0	139.3	0.9	1.4

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, transportation equipment and professional services.

Consequently, when compared to the national CPI (131.7), Edmonton's higher CPI (139) 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 32% for Canada.

Contact

John Rose
Chief Economist
Financial and Corporate Services
780-496-6070

Felicia Mutheardy
Senior Economist
Financial and Corporate Services
780-496-6144