

Inflation drops in January 2019

February 27, 2019

Inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), moved lower from an annual rate of 2.1 per cent in December 2018 to 1.4 per cent in January 2019. Shelter-related costs, particularly for costs related to rents, increased on a year-over-year basis in January 2019. In Edmonton, gasoline prices were almost 15 per cent lower year-over-year in January which eased upward pressures on inflation compared to many months in 2018.

Calgary's rate of inflation also fell from two per cent in December 2018 to one per cent in January 2019. As in previous months, although shelter-related costs have increased, the pace of growth for both home ownership costs and rents was lower in Calgary than in Edmonton. This resulted in a lower overall rate of inflation for Calgary.

Consumer-based inflation in **Alberta** was down from 2.1 per cent in December 2018 to 1.2 per cent in January 2019. As with Calgary and Edmonton, shelter-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 January 2019 compared to many months in 2018.

In **Canada**, the annual rate of change in CPI was 1.4 per cent in January 2019, a decrease from a two per cent increase in December 2018. The slower rate of change in January was primarily attributed to a fall in energy costs which more than made up for price increases for food and alcoholic beverages.

Significance

Shelter-related costs in the Edmonton region are continuing to increase at a slightly more rapid pace than in the rest of Canada. Lower fuel and electricity-related costs will put some downward pressure on inflation in Edmonton in the first quarter of 2019. However, this process seems to be coming to an end. 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 1.5 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, was unchanged month-over-month at 1.9 per cent in January 2019. This is just below the midpoint of the Bank's target range of 1.0 to 3.0 per cent.

With further interest rate increases expected in the United States, the Bank of Canada is likely to continue raising interest rates — although at a very gradual pace — in the second half of

2019.

Consumer Price Index for January 2019

	Jan 2018	Dec 2018	Jan 2019	Dec 2018 to Jan 2019	Jan 2018 to Jan 2019
	2002=100			% change	
Canada	131.7	133.4	133.6	0.2	1.4
Alberta	138.9	140.5	140.5	0.0	1.2
Edmonton CMA	139.0	140.5	140.7	0.1	1.2
Calgary CMA	139.3	140.7	140.7	0.0	1.0

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 (133.6), 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 per cent for Edmonton, compared to about 34 per cent for Canada.

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