

Inflation in Edmonton slows

January 26, 2018

Annual inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), fell from an annual rate of 2.7% in November 2017 to 2.2% in December. The decrease in December was attributed to lower gasoline costs, which were offset by higher electricity and shelter related prices.

Calgary's rate of inflation also decreased to 2.0% in December 2017 compared to 2.6% in November 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 2.5% in November 2017 to an annualized rate of 2.0% in December 2017. As was the case in Edmonton, a drop in gasoline prices during December was the main factor in the reduction of the overall rate of inflation.

In **Canada**, the annual rate of change in CPI was down slightly from 2.1% in November to 1.9% in December. Inflation fell largely because of lower gasoline prices but it is still positive as food, household operations, furniture and appliance prices were rising.

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 electricity prices 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 return to a around 1.5% over the coming months and then rise 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 December, which is closer 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 will continue raising interest rates—albeit at a moderate pace—in the first half of 2018.

Consumer Price Index for December 2017

	Dec 2016	Nov 2017	Dec 2017	Nov 2017 to Dec 2017	Dec 2016 to Dec 2017
	2002=100			% change	
Canada	128.4	131.3	130.8	-0.4	1.9
Alberta	134.9	138.4	137.6	-0.6	2.0
Edmonton CMA	134.7	138.5	137.6	-0.7	2.2
Calgary CMA	135.3	138.9	138.0	-0.7	2.0

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 (130.8), Edmonton's higher CPI (137.6) 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 38% for Edmonton, compared to about 31% 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