

Shelter costs lift inflation above two per cent in December 2018

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Inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), moved higher from an annual rate of 1.6 per cent in November 2018 to 2.1 per cent in December. Shelter-related costs, particularly for costs related to electricity, increased on a year-over-year basis in December 2018. In Edmonton, gasoline prices were almost 8 per cent lower year-over-year in December which eased upward pressures on inflation compared to previous months in 2018.

Calgary's rate of inflation also rose from 1.4 per cent in November 2018 to almost 2 per cent in December. 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** rose from 1.7 per cent in November 2018 to 2.1 per cent in December. 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 December 2018 compared to previous months that year.

In **Canada**, the annual rate of change in CPI was 2.0 per cent in December 2018, an increase from a 1.7 per cent increase in November. The faster rate of change in December was primarily attributed to increases in air transportation, telecommunications costs and travel tours.

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 were putting some upward pressure on inflation in Edmonton through 2018. However this process seems to be coming to an end. 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 per cent over the coming months.

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 December 2018 which 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 2019.

Consumer Price Index for December 2018

	Dec 2017	Nov 2018	Dec 2018	Nov 2018 to Dec 2018	Dec 2017 to Dec 2018
	2002=100			% change	
Canada	130.8	133.5	133.4	-0.1	2.0
Alberta	137.6	140.7	140.5	-0.1	2.1
Edmonton CMA	137.6	140.7	140.5	-0.1	2.1
Calgary CMA	138.0	140.9	140.7	-0.1	2.0

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 (133.4), 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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