

Inflation rate continues to fall in Edmonton

August 21, 2019

Inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), dropped to an annual rate of 1.3 per cent in July 2019 compared to 1.5 per cent in June. On a year-over-year basis, rented accommodation costs rose 2.5 per cent in July 2019. However costs related to water, fuel and electricity were essentially unchanged as natural gas prices fell. As a result, overall shelter costs were up only 1.9 per cent year-over-year in July 2019 compared to almost three per cent in June, reducing upward pressure on Edmonton's overall inflation rate.

Calgary's rate of inflation in July 2019 dropped to 0.8 per cent from 1.1 per cent in June. Shelter-related costs rose by only 0.4 per cent in July 2019 on a year-over-year basis as utility-related costs fell even faster than in Edmonton.

The rate of consumer-based inflation in **Alberta** came down marginally to 1.3 per cent in July 2019 from 1.4 per cent in June. Food-related costs were almost five per cent higher year-over-year in July 2019 while gasoline prices were down almost 18 per cent from last year. The reduced rate of inflation was largely due to lower energy prices, which saw a reduction of approximately 11 per cent over the past 12 months.

In **Canada**, the annual rate of change in CPI was two per cent in July 2019 which was unchanged from June. Higher air transportation and food costs were only partially offset by a reduction in costs related to household operations, furnishings and equipment, as well as clothing and footwear.

Significance

Shelter-related costs in the Edmonton region rose at a slightly more slower pace than the rest of Canada in July 2019, largely due to reduced upward pressures on costs of owned accommodation as well as the water, fuel and electricity component. 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 depreciation in the Canadian dollar. However, gasoline prices are likely to remain below prices observed in 2018, particularly those recorded in the summer months. As a result, inflation in Edmonton is expected to be in the range of 1.5 to two per cent over the remainder of 2019.

Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, held month-over-month at two per cent in July 2019. This is exactly the midpoint of the Bank's target range of one to three per cent.

With Canada's core inflation rate at the middle of the Bank's target range, it is looking increasingly unlikely that the Bank will reduce interest rates in the coming months.

Consumer Price Index for July 2019

	July 2018	June 2019	July 2019	June 2019 to July 2019	July 2018 to July 2019
	2002=100			% change	
Canada	134.3	136.3	137.0	0.5	2.0
Alberta	141.8	142.7	143.6	0.6	1.3
Edmonton CMA	142.0	143.0	143.8	0.6	1.3
Calgary CMA	142.3	142.7	143.5	0.6	0.8

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 (137.0), Edmonton's higher CPI (143.8) 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 44 per cent for Edmonton, compared to about 37 per cent for Canada.

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