

Edmonton inflation rate moves down to 0.4%

July 21, 2017

Annual inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), moved down from 1.3% in May 2017 to 0.4% in June 2017. This reduction was primarily caused by decreased shelter-related costs and a drop in gasoline prices.

Calgary's rate of inflation was running at a slightly faster pace than Edmonton's, coming in at an annualized rate of 0.7% in June 2017, down from 1.4% in May 2017. Higher costs related to home ownership and utilities were the primary contributor to Calgary's higher inflation rate when compared to Edmonton's.

Consumer-based inflation in **Alberta** also fell from an annualized rate of 1.2% in May 2017 to 0.4% in June 2017. Between June 2016 and June 2017, decreased rental costs and gasoline prices were counterbalanced by a year-over-year increase in home heating costs. Over the past 12 months, natural gas for home heating has risen by 14% in Alberta.

At the national level, the annual rate of change in CPI was also down: from 1.3% in May 2017 to 1.0% in June 2017. The reduced costs for clothing and energy between May and June largely offset an increase shelter costs in **Canada**.

Significance

As rental rates and house prices continue to ease, housing costs in the Edmonton region are trending down. However, increased home heating costs—the result of a strong gain in natural gas prices over the past 12 months—are moderating the reduction in overall shelter costs in Edmonton.

The weakening in the Canadian dollar over 2016 and early 2017 will boost the cost of imported consumer items such as food, clothing and consumer electronics, leading to higher inflation later in 2017. As well, the new carbon tax and the increase in minimum wage in Alberta will tend to push prices for selected goods and services up. As a result, inflation in Edmonton should move close to the 2.0% range over the coming months.

Canada's core inflation rate, as reflected in the three adjusted measures of consumer prices tracked by the Bank of Canada, averaged approximately 1.4%, which is below the middle of the Bank's target range of 1.0% to 3.0%. This means the Bank of Canada will be under little pressure to continue raising interest rates in spite of further interest rate increases expected in the United States.

Consumer Price Index for June 2017

	June 2016	May 2017	June 2017	May 2017 to June 2017	May 2016 to June 2017
	2002=100			% change	
Canada	129.1	130.5	130.4	-0.1	1.0
Alberta	136.3	137.2	136.9	-0.2	0.4
Edmonton CMA	136.2	137.1	136.7	-0.3	0.4
Calgary CMA	136.6	137.8	137.5	-0.3	0.7

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 (130.4), Edmonton's higher CPI (136.7) 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 37% for Edmonton, compared to about 30% for Canada.

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