



# Economic Indicators

## Edmonton's inflation continues to rise

June 22, 2018

Annual inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), rose from an annual rate of 2.5% in April 2018 to 2.7% in May 2018. Increases in May 2018 were observed on a year-over-year basis for all shelter-related costs, particularly for costs related to water and electricity, as well as gasoline.

**Calgary's** rate of inflation was also up, rising to 2.6% in May 2018 from 2.4% in April 2018. Shelter-related costs in Calgary were higher on a year-over-year basis, though the rate of increase was slightly slower than in Edmonton, leading to a relatively lower rate of inflation.

Consumer-based inflation in **Alberta** rose from 2.3% in April 2018 to 2.6% in May. Higher energy prices continued to push up overall inflation in Alberta, particularly for gasoline, with prices up almost 32% in May, on a year-over-year basis.

In **Canada**, the annual rate of change in CPI held steady in May at 2.2%. Higher costs related to energy, led by rising gasoline prices, were the largest contributor to the year-over-year gain in the national CPI.

## 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 costs are putting some upward pressure on overall inflation in Edmonton, though the rate of increase is starting to moderate. Looking ahead, there may be additional upward pressure on Edmonton's 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. As a result, inflation in Edmonton is expected to remain above 2.0% over the coming months.

Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, decreased slightly in May compared to April. These measures averaged 1.9% in May, which is slightly below 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 is likely to continue raising interest rates — although at a moderate pace — over the course of 2018.

## Consumer Price Index for May 2018

	May 2017	Apr 2018	May 2018	Apr 2018 to May 2018	May 2017 to May 2018
	2002=100			% change	
<b>Canada</b>	130.5	133.3	133.4	0.1	2.2
<b>Alberta</b>	137.2	140.6	140.7	0.1	2.6
<b>Edmonton CMA</b>	137.1	140.7	140.8	0.1	2.7
<b>Calgary CMA</b>	137.8	141.2	141.4	0.1	2.6

Source: Statistics Canada

## 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 (140.8) 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 41% for Edmonton, compared to about 33% for Canada.

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