

## Inflation drops below two per cent in June

July 17, 2019

Inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), dropped to an annual rate of 1.5 per cent in June 2019 compared to 2.3 per cent in May. On a year-over-year basis, shelter-related costs rose 2.9 per cent in June 2019 with costs related to water, fuel and electricity 5.2 per cent higher. The reduction to the annual rate of inflation in June 2019 was due to lower upward pressure on shelter and fuel costs compared to the previous month.

**Calgary's** rate of inflation in June 2019 dropped to 1.1 per cent from 1.8 per cent in May. Shelter-related costs rose 1.8 per cent in June 2019 on a year-over-year basis. However, similar to Edmonton, shelter costs, particularly costs related to fuel and electricity, slipped on a month-over-month basis in June 2019.

The rate of consumer-based inflation in **Alberta** came down to 1.4 per cent in June 2019 from 2.3 per cent in May 2019. Food-related costs were four per cent higher year-over-year in June 2019 while shelter costs rose 1.9 per cent. The reduced rate of inflation was largely due to lower energy prices which saw an almost 13 per cent reduction in June 2019 compared to May.

In **Canada**, the annual rate of change in CPI was two per cent in June 2019 which was a slight decline from 2.4 per cent in May. The reduction was largely due to lower energy prices which were 5.3 per cent lower in June 2019 compared to the previous month.

### Significance

Shelter-related costs in the Edmonton region are continuing to increase at a slightly more rapid pace than the rest of Canada though the difference came down considerably in June 2019. 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, moved lower month-over-month to two per cent in June 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 midpoint of the Bank's target range, it is looking increasingly unlikely that the Bank will raise rates in 2019.

## Consumer Price Index for June 2019

	June 2018	May 2019	June 2019	May 2019 to June 2019	June 2018 to June 2019
	2002=100			% change	
<b>Canada</b>	133.6	136.6	136.3	-0.2	2.0
<b>Alberta</b>	140.7	144.0	142.7	-0.9	1.4
<b>Edmonton CMA</b>	140.9	144.1	143.0	-0.8	1.5
<b>Calgary CMA</b>	141.1	144.0	142.7	-0.9	1.1

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 (136.3), Edmonton's higher CPI (143.0) 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 43 per cent for Edmonton, compared to about 36 per cent for Canada.

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