

Inflation in Edmonton jumps higher

March 23, 2018

Annual inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), rose from an annual rate of 1.5% in January 2018 to 2.3% in February 2018. The increase in February was driven principally by a large increase in the year-over-year change in gasoline and electricity costs along with a modest increase in housing-related costs.

Calgary's rate of inflation was also up, rising to 2.2% in February 2018 compared to 1.4% in January 2018. A continuing reduction in rental accommodation costs was the key contributor to Calgary's slightly lower inflation rate relative to Edmonton's.

Consumer-based inflation in **Alberta** rose from 1.4% in January 2018 to an annualized rate of 2.2% in February 2018. As was the case in Edmonton, the large increase was attributed to a jump in electricity costs. Housing-related costs also rose, though at a very slow pace in February. Gasoline prices in Alberta rose almost 15% on an annual basis. This, combined with the impact of higher electricity and housing costs, resulted in the jump in overall inflation for Alberta in February.

In **Canada**, the annual rate of change in CPI was up from 1.7% in January to 2.2% in February 2018. The year-over-year gain in the CPI was largely attributed to higher costs related to transportation and shelter.

Significance

Shelter-related costs in the Edmonton region are now increasing at a slightly more rapid pace but are still modest when compared to the rest of Canada. This will act to moderate Edmonton's inflation rate in the coming months when compared with the rest of Canada. However, increasing prices related to gasoline and electricity are putting some upward pressure on overall inflation in Edmonton.

The recent depreciation in the Canadian dollar will increase the cost of imported consumer items, such as food, clothing and consumer electronics. Consequently, inflation in Edmonton should hold in a range slightly 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, has been trending higher over the past several months. These measures averaged 2.0% in January, which is 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 February 2018

	Feb 2017	Jan 2018	Feb 2018	Jan 2018 to Feb 2018	Feb 2017 to Feb 2018
	2002=100			% change	
Canada	129.7	131.7	132.5	0.6	2.2
Alberta	136.7	138.9	139.7	0.6	2.2
Edmonton CMA	136.6	139	139.8	0.6	2.3
Calgary CMA	137.2	139.3	140.2	0.6	2.2

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, transportation equipment and professional services.

Consequently, when compared to the national CPI (132.5), Edmonton’s higher CPI (139.8) 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 40% for Edmonton, compared to about 33% for Canada.

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