



# Economic Indicators

## Inflation remains below two per cent

March 22, 2019

Inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), inched higher from an annual rate of 1.2 per cent in January 2019 to 1.6 per cent in February 2019. Shelter-related costs, particularly for costs related to owned accommodation, increased 2.7 per cent on a year-over-year basis in February 2019. Gasoline prices in Edmonton were almost five per cent lower year-over-year in February, easing upward pressures on inflation compared to many months in 2018.

**Calgary's** rate of inflation rose slightly in February 2019 to 1.4 per cent compared to one per cent in January. Shelter-related costs increased 2.6 per cent year-over-year in February 2019 which was slightly below the pace of growth in Edmonton. This resulted in a lower overall rate of inflation for Calgary.

Consumer-based inflation in **Alberta** rose to 1.6 per cent in February 2019 from 1.2 per cent in January. Food and shelter-related costs for homeowners were key drivers of inflation in February 2019. Though gasoline prices were lower year-over-year in February 2019, energy-related costs were relatively unchanged which held back the annual rate of change compared to many months in 2018.

In **Canada**, the annual rate of change in CPI was 1.5 per cent in February 2019, an increase from 1.4 per cent in January 2019. The slightly faster rate of change in February was primarily attributed to price increases for shelter and food-related costs, though these increases were slightly counterbalanced by a fall in energy costs.

### Significance

Shelter-related costs in the Edmonton region are continuing to increase at a slightly more rapid pace than in the rest of Canada. Lower fuel and electricity-related costs will put some downward pressure on inflation in Edmonton in the first quarter of 2019. However, this process seems to be coming to an end. 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 recent depreciation in the Canadian dollar and tariffs on selected US imports. As a result, inflation in Edmonton is expected to be above 1.5 per cent over the latter part of 2019.

Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, was unchanged month-over-month at 1.8 per cent in February 2019. This is just below the midpoint of the Bank's target range of 1.0 to 3.0 per cent.

Interest rate increases are expected to be more gradual in both the United States and in

Canada. The Bank of Canada is likely to continue raising interest rates — although at a very gradual pace — in the second half of 2019.

## Consumer Price Index for February 2019

	Feb 2019	Jan 2019	Feb 2019	Jan 2019 to Feb 2019	Feb 2018 to Feb 2019
	2002=100			% change	
<b>Canada</b>	132.5	133.6	134.5	0.7	1.5
<b>Alberta</b>	139.7	140.5	142.0	1.1	1.6
<b>Edmonton CMA</b>	139.8	140.7	142.0	0.9	1.6
<b>Calgary CMA</b>	140.2	140.7	142.2	1.1	1.4

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 (134.5), Edmonton's higher CPI (142.0) 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 42 per cent for Edmonton, compared to about 35 per cent for Canada.

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