

## Inflation in Edmonton edges higher

May 18, 2018

Annual inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), rose from an annual rate of 2.4% in March 2018 to 2.5% in April 2018. Increases in April 2018 were observed on a year-over-year basis for all shelter-related costs, with a particularly strong jump in costs related to water, natural gas and electricity, as well as gasoline.

**Calgary's** rate of inflation was also up, rising to 2.4% in April 2018 from 2.3% in March 2018. While shelter-related costs in Calgary were higher on a year-over-year basis, costs grew at a faster rate in Edmonton leading to a relatively slightly lower inflation rate.

Consumer-based inflation in **Alberta** was unchanged at 2.3% in April 2018. A continuing increase in gasoline prices, which were almost 18% higher on a year-over-year basis, was the major contributing factor to keeping overall inflation in Alberta above the 2% mark. Costs for power were also up in April 2018.

In **Canada**, the annual rate of change in CPI was slowed slightly from 2.3% in March to 2.2% in April 2018. The year-over-year gain in the CPI was largely attributed to higher costs related to energy, particularly gasoline prices.

### Significance

Shelter-related costs in the Edmonton region are continuing to increase at a slightly more rapid pace when compared to the rest of Canada. The rise in shelter-related costs is largely due to higher fuel and electricity costs, which are putting some upward pressure on overall inflation in Edmonton. Additional pressure may also come by way of increased costs for imported consumer items such as food, clothing and consumer electronics due 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, has been trending higher over the past several months. These measures averaged slightly above 2.0% in April, which is the slightly above 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 also may continue raising interest rates—although at a moderate pace—over the course of 2018.

## Consumer Price Index for April 2018

	Apr 2017	Mar 2018	Apr 2018	Mar 2018 to Apr 2018	Apr 2017 to Apr 2018
	2002=100			% change	
Canada	130.4	132.9	133.3	0.3	2.2
Alberta	137.4	139.9	140.6	0.5	2.3
Edmonton CMA	137.3	140.0	140.7	0.5	2.5
Calgary CMA	137.9	140.4	141.2	0.6	2.4

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 (133.3), Edmonton's higher CPI (140.7) 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 41% for Edmonton, compared to about 33% for Canada.

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