Inflation picks up in May 2019

June 19, 2019

Inflation in the Edmonton Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), rose to an annual rate of 2.3 per cent in May 2019 compared to 2.1 percent in April. Shelter-related costs increased 4.6 per cent on a year-over-year basis in May 2019, largely due to higher costs for rental accommodation which jumped almost 2.6 per cent year-over-year. Higher costs in the utilities component placed additional upward pressure on the region’s overall inflation rate in May 2019 with a 14.2 per cent lift year-over-year.

Calgary’s rate of inflation in May 2019 was unchanged from April at 1.8 per cent year-over-year. Shelter-related costs for both owned and rented accommodation slipped in May 2019 from the previous month. Similar to Edmonton, costs related to water, fuel and electricity rose 11.62 per cent which contributed to the region’s overall inflation rate in May 2019.

Consumer-based inflation in Alberta ticked up to 2.3 per cent in May 2019 from 2.2 per cent in April. Higher costs related to electricity and natural gas were the primary factors in boosting year-over-year inflation for Alberta. Upward pressure on inflation from gasoline prices have subsided compared to what was observed in 2018.

In Canada, the annual rate of change in CPI was 2.4 per cent in May 2019, a marginal increase from two per cent in April. With the exception of footwear and clothing, all of the major components saw prices in May 2019 rise from April.

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 shelter, fuel and electricity-related costs kept inflation in Edmonton above two per cent in May 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. As a result, inflation in Edmonton is expected to be slightly above 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 up month-over-month to approximately 2.1 per cent in May 2019. This is just above the midpoint of the Bank’s target range of one to three per cent.

Though Canada’s core inflation rate is close to 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 May 2019

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<tr>
<td></td>
<td>2002=100</td>
<td></td>
<td>% change</td>
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<tr>
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<tr>
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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 (136.6), Edmonton’s higher CPI (144.1) 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 44 per cent for Edmonton, compared to about 37 per cent for Canada.

Contact

**John Rose**  
Chief Economist  
Financial and Corporate Services  
780-496-6070

**Felicia Mutheardy**  
Senior Economist  
Financial and Corporate Services  
780-496-6144