

Edmonton's inflation continues to ease

November 23, 2018

Annual inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), moved lower from an annual rate of 3.3% in September 2018 to 3.0% in October 2018. Increases in October 2018 were observed on a year-over-year basis for costs related to homeownership, particularly for costs related to natural gas and electricity. In Edmonton, gasoline prices have been declining recently. Nonetheless, gasoline was still up by approximately 21% on a year-over-year basis in October 2018.

Calgary's rate of inflation was also down from 2.8% in September to 2.5% in October 2018. As in previous months, although shelter-related costs have increased, the pace of growth was lower in Calgary than in Edmonton. This resulted in a lower overall rate of inflation.

Consumer-based inflation in **Alberta** eased from 3.0% in September 2018 to 2.8% in October. As with Calgary and Edmonton, utilities-related costs for homeowners were a key driver of inflation. This was more than balanced by lower gasoline prices, resulting in the reduced rate of inflation.

In **Canada**, the annual rate of change in CPI moved up to 2.4% in October, compared to 2.2% in September of 2018. Higher costs related to airfares, passenger vehicles and travel tours were the largest contributors to the year-over-year gain in the national CPI.

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 fuel and electricity costs are putting some upward pressure on overall inflation in Edmonton. Looking ahead, there may be additional acceleration in inflation by way of increased costs for imported consumer goods such as food, clothing and electronics in response to the recent depreciation in the Canadian dollar and the introduction of tariffs on selected US imports. As a result, inflation in Edmonton is expected to remain above 2.5% over the coming months.

Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, increased marginally from 1.9% in September to 2.0% in October— 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 remainder of 2018 and into 2019.

Consumer Price Index for October 2018

	Oct 2017	Sept 2018	Oct 2018	Sept 2018 to Oct 2018	Oct 2017 to Oct 2018
	2002=100			% change	
Canada	130.9	133.7	134.1	0.3	2.4
Alberta	137.6	141.1	141.4	0.2	2.8
Edmonton CMA	137.5	141.2	141.6	0.3	3.0
Calgary CMA	138.2	141.4	141.7	0.2	2.5

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 (134.1), Edmonton's higher CPI (141.7) 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 42% for Edmonton, compared to about 34% 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

