

## Edmonton's inflation rate sees uptick in October 2019

November 20, 2019

Inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), moved higher to an annual rate of 1.6 per cent in October 2019 from 1.4 per cent in September. On a year-over-year basis, upward pressure on the inflation rate in October 2019 came largely from higher costs related to water, fuel and electricity which rose 4.5 per cent, as well as rented accommodation costs which increased by 4.3 per cent. Costs for owned accommodation were up by only one per cent year-over-year in October 2019. As a result, overall shelter costs rose 2.7 per cent year-over-year in October 2019.

**Calgary's** annual rate of inflation rose to 1.4 per cent in October 2019, up from 1.1 per cent in September. Shelter-related costs were almost two per cent higher in October 2019, driven largely by gains in both owned and rented accommodation costs. Both components increased by about 2.1 per cent year-over-year in October 2019.

The rate of consumer-based inflation in **Alberta** increased to 1.6 per cent in October 2019 from 1.3 per cent in September. On a year-over-year basis, energy costs in October 2019 continued to decline which helped to absorb some of the upward pressure brought on by higher food and shelter costs. If energy costs were excluded, the province's annual rate of inflation would have been 2.3 per cent in October 2019.

In **Canada**, the annual rate of change in CPI held at 1.9 per cent in October 2019 for the third consecutive month. Higher food and shelter costs were partly counterbalanced by continued reductions in costs related to gasoline.

### Significance

Gasoline prices in October 2019 continued to see double-digit year-over-year reductions in the Edmonton CMA which has helped, in part, to offset higher shelter-related costs. 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 ongoing trade disputes and a weakening of the Canadian dollar. As a result, inflation in Edmonton is expected to be in the range of 1.5 to 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, held at 2.1 per cent in October 2019. This is slightly above the midpoint of the Bank's target range of one to three per cent.

It is looking increasingly unlikely that the Bank of Canada will reduce interest rates in the coming months with Canada's core inflation rate around the middle of the Bank's target range.

## Consumer Price Index for October 2019

	Oct 2018	Sep 2019	Oct 2019	Sep 2019 to Oct 2019	Oct 2018 to Oct 2019
	2002=100			% change	
Canada	134.1	136.2	136.6	0.3	1.9
Alberta	141.4	142.9	143.6	0.5	1.6
Edmonton CMA	141.6	143.2	143.9	0.5	1.6
Calgary CMA	141.7	143.0	143.7	0.5	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 (136.6), Edmonton's higher CPI (143.9) 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.

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