



Edmonton's inflation rate eases

September 21, 2018

Annual inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), eased from an annual rate of 3.8% in July 2018 to 3.4% in August 2018. Increases in August 2018 were observed on a year-over-year basis for costs related to home ownership, particularly for costs related to water and electricity, as well as gasoline. In Edmonton, gasoline is up by 31% on a year-over-year basis.

Calgary's rate of inflation was also down from 3.3% in July to 3.0% in August 2018. Though shelter-related costs have increased, the pace of growth was lower in Calgary than in Edmonton, resulting in a lower overall rate of inflation.

Consumer-based inflation in **Alberta** slipped from 3.5% in July 2018 to 3.1% in August. Higher energy prices continued to push up overall inflation in Alberta, particularly for gasoline, with energy-related prices up by 19% in August, on a year-over-year basis.

In **Canada**, the annual rate of change in CPI fell to 2.8% in July compared to 3.0% in June of 2018. Higher costs related to energy, led by rising gasoline prices, as well as increased costs for utilities and for services such as air transportation, were the largest contributor 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 upward pressure on Edmonton's 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, remained essentially unchanged in July compared to June. These measures averaged 2.1% in July, which is 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 is likely to continue raising interest rates — although at a moderate pace — over the remainder of 2018 and into 2019.

Consumer Price Index for August 2018

	August 2017	July 2018	August 2018	July 2018 to August 2018	August 2017 to August 2018
	2002=100			% change	
Canada	130.5	134.3	134.2	-0.1	2.8
Alberta	137.4	141.8	141.6	-0.1	3.1
Edmonton CMA	137.2	142.0	141.0	-0.1	3.4
Calgary CMA	138.0	142.3	142.1	-0.1	3.0

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 (134.2), Edmonton's higher CPI (141.0) 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 41% 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