

Edmonton's inflation rate rises in September 2019

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Inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), inched higher to an annual rate of 1.4 per cent in September 2019 from 1.3 per cent in August. On a year-over-year basis, upward pressure on the inflation rate in September 2019 came largely from higher rented accommodation costs which increased 3.8 per cent, as well as costs related to water, fuel and electricity which rose 4.1 per cent. Costs for owned accommodation were up by only 1.2 per cent year-over-year in September 2019. As a result, overall shelter costs were up 2.5 per cent year-over-year in September 2019. The lift in overall shelter costs was partially offset by lower gasoline prices which have been recording double-digit year-over-year declines since June 2019.

Calgary's rate of inflation ticked up from 0.9 per cent in August 2019 to 1.1 per cent in September. Shelter-related costs were 1.6 per cent higher in September 2019, driven largely by gains in owned accommodation costs.

The rate of consumer-based inflation in **Alberta** held steady at 1.3 per cent in September 2019 for the third consecutive month. On a year-over-year basis, the rise in food-related costs held at almost four per cent in September 2019, while the decline in gasoline prices remained at 21 per cent for the second consecutive month. Lower energy costs have held back the provincial inflation rate which would have been 2.3 per cent if the energy component was excluded.

In **Canada**, the annual rate of change in CPI was unchanged at 1.9 per cent in September 2019 from August. Increases to food and shelter costs were balanced by a reduction in costs related to gasoline.

Significance

Increased upward pressure on rented accommodation costs as well as water, fuel and electricity costs have kept shelter-related costs in the Edmonton region rising at a more rapid pace than the rest of Canada. 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 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, ticked upward to 2.1 per cent in September 2019. This is slightly above the midpoint of the Bank's target range of one to three per cent.

With Canada's core inflation rate around the middle of the Bank's target range, it is looking

increasingly unlikely that the Bank will reduce interest rates in the coming months.

Consumer Price Index for September 2019

	Sep 2018	Aug 2019	Sep 2019	Aug 2019 to Sep 2019	Sep 2018 to Sep 2019
	2002=100			% change	
Canada	133.7	136.8	136.2	-0.4	1.9
Alberta	141.1	143.4	142.9	-0.4	1.3
Edmonton CMA	141.2	143.6	143.2	-0.3	1.4
Calgary CMA	141.4	143.4	143.0	-0.3	1.1

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 (136.2), Edmonton's higher CPI (143.2) 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 43 per cent for Edmonton, compared to about 36 per cent for Canada.

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