

Edmonton's inflation rate cools

June 17, 2016

Prices for consumer goods and services in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), slipped from 1.7% in April 2016 to 1.6% in May 2016, on a year-over-year basis. The key element in lowering inflation was decreased electricity and natural gas costs which reduced shelter costs. Gasoline and selected food items were up – gasoline rose an average of 7.5% in the Edmonton region - between April and May 2016.

Calgary's progression of inflation continues to run at a lower amount than Edmonton's, at an annual rate of 1.3% in May 2016—down slightly from the 1.4% rate recorded in April 2016. Decreased shelter-related rents and home ownership costs held Calgary's inflation rate at the lower level.

Annual consumer-based inflation in **Alberta** was unchanged at 1.5% in May 2016 from April 2016. Increased food and health care costs were balanced by decreased electricity and natural gas costs – natural gas was down 15% year over year - across Alberta

At the national level, the annual increase in CPI was down from 1.7% in April 2016, to 1.5% in May 2016. Moderate increases in food, health care and recreational costs brought inflation down at the national level.

Significance

With home operating costs easing, housing costs in the Edmonton region are falling. These developments and the firming Canadian dollar has taken pressure off the shelter component of the Edmonton region's CPI and mean that imported consumer items such as fresh fruits and vegetables will cost less in the second half of 2016. However, rising energy-related prices driven by higher oil prices will counterbalance these developments. As a result, inflation in Edmonton should hold at current levels during the second half of 2016.

Canada's core inflation rate, which excludes the most volatile components such as food and energy prices, rose at an annual rate of 2.1% in May 2016, down slightly from the 2.2% rate reported in April 2016. Core inflation remains slightly above the middle of the Bank of Canada's target range of 1.0% to 3.0%. However, given the sluggish performance of the Canadian economy, it is unlikely the Bank of Canada will increase interest rates over the course of 2016 in order to address inflationary pressures.

Consumer Price Index for May 2016

	May 2015	Apr 2016	May 2016	Apr 2016 to May 2016	May 2015 to May 2016
	2002=100			% change	
Canada	126.9	128.3	128.8	0.4	1.5
Alberta	133.6	135.1	135.6	0.4	1.5
Edmonton CMA	133.3	135	135.4	0.3	1.6
Calgary CMA	134.1	135.5	135.9	0.3	1.3

Source: Statistics Canada

Limitations

The CPI is a measure of the change in prices and not their absolute level. Consequently, when compared to the national CPI (128.8), Edmonton's higher CPI (135.4) does not mean that 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 than in the country as a whole: approximately 35% for Edmonton, compared to 29% for Canada.

The CPI reflects the prices consumers pay on a typical basket of goods and services, but it does not reflect 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 mortgage. The CPI does not reflect the type of expenditures required to deliver municipal goods and services, such as construction materials, transportation equipment and professional services.

Contacts

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

Grace Kahara
 Senior Economist
 Financial and Corporate Services
 780-496-6600