

## Edmonton's inflation rate edges up

*May 20, 2016*

Prices for consumer goods and services in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), increased from 1.6% in March 2016 to 1.7% in April 2016, on a year-over-year basis. The principal factor behind inflation was an ongoing rise in gasoline prices, which was offset to some degree by decreased electricity and natural gas costs that drew down the shelter component of the CPI.

**Calgary's** rate of inflation was somewhat lower than Edmonton's, running at an annual rate of 1.4% in April 2016—unchanged from the rate recorded in March 2016. Decreased shelter-related costs helped hold Calgary's inflation rate at the lower level.

Annual consumer-based inflation in **Alberta** was also unchanged at 1.5% in April 2016 from March 2016. Increased food and health care costs were balanced by decreased electricity and natural gas costs across Alberta between March and April.

At the national level, the annual increase in CPI was 1.7% in April 2016, up significantly from the 1.3% rate recorded in March 2016. Decreased costs for clothing and transportation were not able to compensate for higher food prices – particularly fresh fruit and vegetables, which were up more than 11% on an annual basis – at the national level.

### Significance

With home operating costs easing, housing costs in the Edmonton region are beginning to fall. These developments and the firming Canadian dollar will take pressure off the shelter component of the Edmonton region's CPI and mean that imported consumer items such as fresh fruits and vegetables will be less costly 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 first 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 2.2% in April 2016, up slightly from the 2.1% rate reported in March 2016. Core inflation is now 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 April 2016

	Apr 2015	Mar 2016	Apr 2016	Mar 2016 to Apr 2016	Apr 2015 to Apr 2016
	2002=100			% change	
Canada	126.2	127.9	128.3	0.3	1.7
Alberta	133.1	135.0	135.1	0.1	1.5
Edmonton CMA	132.8	134.7	135	0.2	1.7
Calgary CMA	133.6	135.5	135.5	0.0	1.4

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 (128.3), Edmonton's higher CPI (135) 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 28% 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.

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