

Edmonton's inflation down due to decreased energy costs

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Prices for consumer goods and services in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), fell from 2.2% in January 2016 to 1.3% in February 2016, on a year-over-year basis. This decreased rate of inflation means that Edmonton's consumer price increase is now slightly below the national average.

Rental and owned accommodation costs continued to trend upward, although, at a much more moderate pace in February 2016. However, this trend was outweighed by sharply decreased gasoline, home heating and electricity costs. Over the course of 2016, costs associated with shelter in Edmonton are likely to fall as rents and house prices ease.

Calgary's rate of inflation was slightly higher than Edmonton's, running at an annual rate of 1.4% in February 2016—down from 2.0% in January 2016. Both rental and owned accommodation costs were up on a year-over-year basis while water, fuel and electricity costs declined.

Annual consumer-based inflation in **Alberta** slipped to 1.4% in February 2016 from 2.1% in January 2016. Gasoline prices fell by an average of 20% across Alberta in February 2016, when compared to February 2015, which more than compensated for higher food costs in the province.

At the national level, the annual increase in CPI was 1.4% in February 2016, down from the 2.0% rate recorded in January 2016. A 13% drop in gasoline prices over the past 12 months was the principal factor in **Canada's** lower inflation in February 2016.

Significance

With rental vacancy rates now rising, the costs for rental accommodation in the Edmonton region are beginning to ease. These developments will take pressure off the shelter component of the Edmonton region's CPI. However, the weaker Canadian dollar will mean imported consumer items such as fresh fruits and vegetables will be more costly in 2016. Consequently, inflation in Edmonton will fluctuate in the range of 1.5% to 2.0% in the coming months.

Canada's core inflation rate, which excludes the most volatile components such as food and energy prices, rose at an annual rate of 1.9% in February 2016, down modestly from the 2.0% rate reported in January 2016. Core inflation is now firmly set at the middle of the Bank of Canada's target range of 1.0% to 3.0%, taking pressure off the Bank of Canada to increase interest rates in the coming year to address inflationary issues.

Consumer Price Index for February 2016

	Feb 2015	Jan 2016	Feb 2016	Jan 2016 to Feb 2016	Feb 2015 to Feb 2016
	2002=100			% change	
Canada	124.4	126.8	127.1	0.2	1.4
Alberta	132.0	133.7	133.8	0.1	1.4
Edmonton CMA	131.6	133.4	133.3	-0.1	1.3
Calgary CMA	132.6	134.3	134.4	0.1	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 (127.1), Edmonton's higher CPI (133.3) 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 33% for Edmonton, compared to 27% 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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