

Inflation stays stable in Edmonton

September 22, 2017

Annual inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), was essentially unchanged at 1.1% in August 2017 when compared to 1.0% in July 2017. Rising costs for natural gas and gasoline were largely offset by decreased food and rental accommodation costs.

Calgary's rate of inflation was running at a slightly faster pace than Edmonton's, coming in at an annualized rate of 1.2% in August 2017, down from 1.4% in July 2017. As in past months, increasing costs related to home ownership and utilities were the primary contributor to Calgary's higher inflation rate when compared to Edmonton.

Consumer-based inflation in **Alberta** also rose very slightly from an annualized rate of 1.0% in July 2017 to 1.1% in August 2017. Between August 2016 and August 2017, higher clothing, gasoline and natural gas prices were the main contributors to the overall inflation rate.

In **Canada**, the annual rate of change in CPI was also up marginally: from 1.2% in July 2017 to 1.4% in August 2017. Higher costs related to transportation and home ownership over the past year have more than made up for lower prices for clothing and household operations.

Significance

As home rental rates continue to ease and home ownership costs rise very slowly, shelter-related costs in the Edmonton region are rising at a very modest pace compared to the rest of Canada. However, increasing home heating and gasoline costs are putting some upward pressure on overall inflation in Edmonton.

The recent rise in the Canadian dollar will moderate the cost of imported consumer items, such as food, clothing and consumer electronics. As the price impact of Alberta's carbon tax and the increase in the minimum wage have now been largely absorbed, inflation in Edmonton should hold to a range between 1.0 and 1.5% over the coming months.

Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, averaged approximately 1.5%, which is well below the middle of the Bank's target range of 1.0% to 3.0%. This means the Bank of Canada will be under little pressure to continue raising interest rates in spite of further interest rate increases expected in the United States.

Consumer Price Index for August 2017

	Aug 2016	July 2017	Aug 2017	July 2017 to Aug 2017	Aug 2016 to Aug 2017
	2002=100			% change	
Canada	128.7	130.4	130.5	0.2	1.4
Alberta	135.9	137.0	137.4	0.1	1.1
Edmonton CMA	135.6	136.8	137.1	0.1	1.1
Calgary CMA	136.3	137.7	138.0	0.2	1.2

Source: Statistics Canada

Limitations

The CPI is a measure of the change in prices and not their absolute level. 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, transportation equipment and professional services.

Consequently, when compared to the national CPI (130.5), Edmonton's higher CPI (137.1) 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 37% for Edmonton, compared to about 30% for Canada.

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