

Edmonton's inflation rate edges lower

September 23, 2016

Annual inflation in the **Edmonton Census Metropolitan Area (CMA)**, as measured by the Consumer Price Index (CPI), was down marginally from 0.9% in July 2016 to 0.7% in August 2016. Ongoing reductions in rental accommodation costs along with slightly lower energy related prices brought the overall rate of inflation down in August.

Calgary's rate of inflation continued to run at a slower pace than Edmonton's, coming in at an annual rate of 0.6% in August 2016—unchanged from the rate recorded in July 2016. Larger declines in rented shelter costs were the main contributor to Calgary's lower inflation rate when compared to Edmonton.

Annual consumer-based inflation in **Alberta** was unchanged at an annual rate of 0.7% in August 2016 compared to July 2016. Lower gasoline costs – down 15% over the past 12 months - as well as reduced prices for clothing in the month of July largely offset increases in food and alcoholic beverage prices.

At the national level, the annual increase in CPI was down slightly from 1.3% in July 2016 to 1.1% in August 2016. Increased costs for food as well as higher shelter costs – particularly for domestic electricity - offset lower gasoline and food prices.

Significance

With rental rates continuing to ease, housing costs in the Edmonton region are holding steady. These developments and the recent firming of the Canadian dollar will take pressure off the shelter component of the Edmonton region's CPI and mean that imported consumer items such as food and clothing will be less costly in the second half of 2016. However, the rise in energy-related prices since February 2016 will largely counterbalance these trends. As a result, inflation in Edmonton should gradually rise during the final quarter of 2016.

Canada's core inflation rate, which excludes the most volatile components such as food and energy prices, rose at an annual pace of 1.8% in August 2016, down from the 2.1% rate reported in July 2016. Core inflation is now slightly below the middle of the Bank of Canada's target range of 1.0% to 3.0%. This fact along with the sluggish performance of the Canadian economy means it is unlikely the Bank of Canada will increase interest rates until well into 2017.

Consumer Price Index for August 2016

	Aug 2015	July 2016	Aug 2016	July 2016 to Aug 2016	Aug 2015 to Aug 2016
	2002=100			% change	
Canada	127.3	128.9	128.7	-0.2	1.1
Alberta	135.0	135.6	135.9	0.2	0.7
Edmonton CMA	134.7	135.2	135.6	0.2	0.7
Calgary CMA	135.5	135.9	136.3	0.3	0.6

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 (128.7), Edmonton's higher CPI (135.6) 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 36% 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 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.

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