

## Inflation moves higher in Edmonton

*November 17, 2017*

Annual inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), rose from 1.1% in September 2017 to 1.3% in October. Rising costs for gasoline, electricity and accommodation contributed to the higher rate of inflation in October.

**Calgary's** rate of inflation was running at a marginally faster pace than Edmonton's, coming in at an annualized rate of 1.4% in October 2017, unchanged from September 2017. As in past months, increasing costs related to homeownership and utilities were the primary contributor to Calgary's higher inflation rate when compared to Edmonton.

Consumer-based inflation in **Alberta** was unchanged from September 2017 at an annualized rate of 1.3% in October 2017. Between October 2016 and October 2017, food, gasoline and electricity prices were the main contributors to the overall inflation rate.

In **Canada**, the annual rate of change in CPI was down slightly: from 1.6% in September 2017 to 1.4% in October 2017. Higher costs related to transportation and health and personal care over the past year have more than made up for lower prices for clothing.

### Significance

As residential rental rates continue to ease and homeownership costs rise very slowly, shelter-related costs in the Edmonton region are increasing at a very modest pace compared to the rest of Canada. However, increasing natural gas and electricity prices are putting some upward pressure on overall inflation in Edmonton.

The rise in the Canadian dollar earlier this year 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 and then rise towards 2% as the local economy continues to improve in 2018.

Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, has been trending higher over the past several months. These measures averaged approximately 1.6% in October, which is approaching the middle of the Bank's target range of 1.0% to 3.0%. Combined with further interest rate increases expected in the United States, this means the Bank of Canada will continue raising interest rates—albeit at a moderate

pace—in the first half of 2018.

## Consumer Price Index for October 2017

	Oct 2016	Sept 2017	Oct 2017	Sept 2017 to Oct 2017	Oct 2016 to Oct 2017
	2002=100			% change	
<b>Canada</b>	129.1	130.8	130.9	0.1	1.4
<b>Alberta</b>	135.8	137.0	137.6	0.4	1.3
<b>Edmonton CMA</b>	135.7	136.7	137.5	0.6	1.3
<b>Calgary CMA</b>	136.3	137.6	138.2	0.4	1.4

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 (130.9), Edmonton's higher CPI (137.5) 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 31% for Canada.

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