

Inflation rate slows in July 2020

August 19, 2020

Inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), slowed to a rate of about one per cent in July 2020 from 1.4 per cent year-over-year in June. Shelter-related prices rose 2.9 per cent year-over-year in July, with water, fuel and electricity related prices seeing the largest gain (+8.8 per cent year-over-year) across shelter components.

The **Calgary CMA's** annualised rate of inflation remained in positive territory in July at 0.8 per cent from 1.5 per cent in June. Shelter-related prices in the region were 2.4 per cent higher year-over-year with gains recorded in prices across all shelter components (i.e. rented accommodation, owned accommodation and water, fuel and electricity).

Consumer-based inflation in **Alberta** stepped back in July to a rate of 0.9 per cent from 1.6 per cent in June. Price growth for food items slowed to a rate of 1.9 per cent from almost four per cent in June. Energy price growth reverted to negative territory in July, largely due to an almost 10 per cent year-over-year decline in gasoline prices. Natural gas prices continued to post high year-over-year growth, reaching almost 32 per cent in July.

The annual rate of inflation in **Canada** reduced its pace in July to 0.1 per cent, from 0.7 per cent in June. Prices in July rose in five of the eight major categories on a year-over-year basis. Price gains for food and shelter contributed the most to July's rate of inflation. Energy prices remained lower year-over-year in July with significant price reductions for gasoline and fuel. Excluding energy, the consumer-based inflation rate in Canada rose by 0.8 per cent in July compared to 1.3 per cent in June.

Significance

The rate of inflation in the Edmonton CMA remained in positive territory in July, though the rate of increase was slower compared to June. Gasoline prices continued to see reductions and likely contributed to the slower pace of inflation in July as the year-over-year decline in July (-10 per cent) was more pronounced than in June (-8.3 per cent). Although detailed information on inflation in the Edmonton CMA is limited to the shelter category, provincial price changes observed in the remaining seven categories, including food and transportation, may also apply to the region. The rate of inflation in the Edmonton CMA is expected to remain below two per cent for the balance of 2020.

Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, ticked down to an average of 1.6 per cent in July from 1.7 per cent in

June. The core inflation rate in June remained lower than the midpoint of the Bank's target range of one to three per cent.

Consumer Price Index for July 2020

	July 2019	June 2020	July 2020	June to July 2020	July 2019 to July 2020
	2002=100			% change	
Canada	137.0	137.2	137.2	0.0	0.1
Alberta	143.6	145.0	144.9	-0.1	0.9
Edmonton CMA	143.8	145.0	145.2	0.1	1.0
Calgary CMA	143.5	144.9	144.7	-0.1	0.8

Source: Statistics Canada, Table 18-10-0004-01

Limitations

The CPI is a measure of the change in prices and not their absolute levels. It reflects the prices consumers pay on a typical basket of goods and services, but not all 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, public transit equipment and professional services.

Consequently, when compared to the national CPI, Edmonton's higher CPI 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.

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