

Economic Indicators

Edmonton's inflation rate turns negative in April 2020

May 25, 2020

Inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), sunk to -0.4 per cent in April 2020 from 0.9 per cent in March. On a year-over-year basis, shelter-related prices ticked up by 0.2 per cent in April, with higher prices for both rented and owned accommodation. Costs related to water, fuel and electricity, by comparison, declined by 2.5 per cent year-over-year in April.

Calgary's annual rate of inflation slowed to -0.6 per cent in April from 0.6 per cent in March. Shelter-related prices in the region came down for the second consecutive month in April, contracting by 0.5 per cent year-over-year. A 1.4 per cent year-over-year increase in owned accommodation was more than offset by price declines for rented accommodation, as well as for fuel and electricity.

Consumer-based inflation in **Alberta** came down to -0.5 per cent in April from 0.7 per cent in March 2020. A sharp year-over-year decline of almost 26 per cent in April 2020 energy prices brought the provincial rate of inflation into negative territory. Food prices, on the other hand, saw an increase of 3.7 per cent year-over-year in April. Excluding energy, consumer-based inflation in Alberta rose 1.8 per cent year-over-year in April.

The annual change in the national CPI fell to -0.2 per cent year-over-year in April 2020 from 0.9 per cent in March 2020. On a year-over-year basis, consumer price growth in **Canada** declined for the first time since September 2009 with lower prices in three of the eight major categories, including transportation. National energy prices plummeted almost 24 per cent year-over-year in April with a 39 per cent decline in gasoline prices. Excluding energy, consumer-based inflation in Canada rose 1.7 per cent in April year-over-year.

Significance

Low crude oil prices continued to put downward pressure on gasoline prices in the Edmonton CMA, which fell by almost 48 per cent year-over-year in April. Crude oil prices fell in March and remained low in April as a result of lower global demand in response to the COVID-19 pandemic and an oversupply of oil. Lower energy prices were the largest contributor to the slowdown in consumer-based inflation as evidenced in provincial and national inflation readings.

Looking ahead, there may be further price distortions in categories such as transportation, energy, and clothing and footwear. Provincial prices for clothing and footwear came down 1.5 per cent year-over-year in April. While data on price changes in this category are not available for the Edmonton CMA, it is assumed that the provincial change also applies to the CMA.

Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, held at an average of 1.8 per cent in April. This remains lower than the midpoint of the Bank's target range of one to three per cent.

Consumer Price Index for April 2020

	Apr 2019	Mar 2020	Apr 2020	Mar to Apr 2020	Apr 2019 to Apr 2020
	2002=100			% change	
Canada	136.0	136.6	135.7	-0.7	-0.2
Alberta	143.7	144.1	143.0	-0.8	-0.5
Edmonton CMA	143.7	144.3	143.2	-0.8	-0.4
Calgary CMA	143.8	144.2	143.0	-0.8	-0.6

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 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, public transit equipment and professional services.

Consequently, when compared to the national CPI (135.7), Edmonton's higher CPI (143.2) 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 43 per cent for Edmonton, compared to about 36 per cent for Canada.

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