

Edmonton's inflation rate edges higher in December 2019

January 23, 2020

Inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), picked up to 2.3 per cent in December 2019 from 2.1 per cent in November. On a year-over-year basis, shelter-related costs rose 2.8 per cent, costs related to water, fuel and electricity jumped 8.2 per cent and rented accommodation costs increased by 3.8 per cent in December 2019.

Calgary's annual rate of inflation ticked up to 2.1 per cent in December 2019 from two per cent in November. Shelter-related costs increased 2.1 per cent year-over-year in December 2019, primarily due to higher owned accommodation costs as well as costs related to water, fuel and electricity.

Consumer-based inflation in **Alberta** rose to an annual rate of 2.3 per cent in December 2019 from 2.1 per cent in November. Higher costs for food, shelter and energy were the main drivers behind the increase in inflation. Following six consecutive months of year-over-year declines, energy costs in December 2019 increased 4.9 per cent, applying some upward pressure on the province's overall inflation rate. Excluding energy costs, prices in Alberta increased by 2.1 per cent year-over-year in December 2019.

In **Canada**, the annual rate of change in CPI remained at 2.2 per cent in December 2019, sustained by higher food and energy costs. On a year-over-year basis, food costs rose almost three per cent in December 2019 while energy costs increased 5.5 per cent.

Significance

Gasoline prices in the Edmonton CMA consistently saw year-over-year declines starting in November 2018, which took some upward pressure off the region's inflation rate throughout most of 2019. In December 2019, gasoline prices posted their first year-over-year increase since October 2018, rising by 1.3 per cent year-over-year. Higher gasoline prices coupled with increased shelter costs brought the inflation rate higher, reaching 2.3 per cent in December 2019. For 2019 as a whole, inflation increased by 1.7 per cent. Looking ahead, there may be accelerated inflation by way of increased costs for imported consumer goods such as food, clothing and electronics in response to ongoing trade disputes. As well, gasoline prices are starting to rise which could add additional upward pressure on inflation. Inflation in Edmonton is expected to be in the two per cent range for 2020.

Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, held at 2.1 per cent in December 2019 for the fourth consecutive month. This is slightly above the midpoint of the Bank's target range of one to three per cent.

The Bank of Canada announced on January 22, 2020 that it has maintained its target for the overnight interest rate at 1.75 per cent. In its January 2020 Monetary Policy Report, the Bank of Canada notes that while the Canadian economy has been resilient, there have been mixed signals from economic indicators since its October 2019 Monetary Policy Report. As such, it is looking increasingly unlikely that the Bank of Canada will raise interest rates in the coming months.

Consumer Price Index for December 2019

	Dec 2018	Nov 2019	Dec 2019	Nov 2019 to Dec 2019	Dec 2018 to Dec 2019
	2002=100			% change	
Canada	133.4	136.4	136.4	0.0	2.2
Alberta	140.5	143.6	143.7	0.1	2.3
Edmonton CMA	140.5	143.7	143.7	0.0	2.3
Calgary CMA	140.7	143.7	143.7	0.0	2.1

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 (136.4), Edmonton's higher CPI (143.7) 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 44 per cent for Edmonton, compared to about 36 per cent for Canada.

Contact

John Rose
Chief Economist
Financial and Corporate Services
780-496-6070

Felicia Mutheardy
Senior Economist
Financial and Corporate Services
780-496-6144

