

Edmonton's inflation rate drops in March 2020

April 22, 2020

Inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), dropped to 0.9 per cent in March 2020 from 2.4 per cent in February. On a year-over-year basis, shelter-related prices ticked up by 0.9 per cent in March, driven largely by a 3.1 per cent increase in rented accommodation rates. This more than offset a 2.1 per cent decline year-over-year in March for fuel and electricity prices.

Calgary's annual rate of inflation was 0.6 per cent in March 2020 compared to 2.3 per cent in February. Shelter-related prices in the region decreased 0.3 per cent year-over-year. An almost two per cent year-over-year increase in owned accommodation prices was more than offset by price declines for rented accommodations, as well as for fuel and electricity.

Consumer-based inflation in **Alberta** slowed to 0.7 per cent in March 2020 from 2.5 per cent in February 2020. On a year-over-year basis, energy prices saw a significant pullback in March, declining 17.2 per cent, while transportation prices were 2.1 per cent lower. Food prices, on the other hand, saw an increase of 3.4 per cent year-over-year in March. Excluding energy, consumer-based inflation in Alberta rose 2.1 per cent year-over-year in March.

In **Canada**, the annual change in CPI was 0.9 per cent in March 2020, down from 2.2 per cent in February. On a year-over-year basis, consumer price growth slowed the most in March since September 2006 due to a global economic slowdown in response to the COVID-19 pandemic. Shelter-related prices were the largest contributor to the March inflation rate. National energy prices dropped by 11.6 per cent year-over-year in March, with consumers paying significantly less for gasoline. Excluding energy, consumer-based inflation in Canada rose 1.7 per cent.

Significance

Low crude oil prices have resulted in downward pressure on gasoline prices in the Edmonton CMA, which saw a 30 per cent decline year-over-year in March. Crude oil prices fell in March 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.

Looking ahead, there may be accelerated inflation by way of imported consumer good prices. As well, physical distancing measures intended to reduce the spread of COVID-19 may cause further price distortions in categories such as transportation (due to flight suspensions and travel advisories) and energy (due to lower oil prices). Statistics Canada noted that the cost of international airfares were excluded from the March CPI calculations as passengers were not able to consume those services due to international flight suspensions.

Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, declined to average 1.8 per cent in March from two per cent in February. This is lower than the midpoint of the Bank's target range of one to three per cent. In March, the Bank of Canada lowered its target rate by 50 basis points three times in response to the COVID-19 pandemic's impact on the Canadian economy as well as the recent sharp drop in oil prices.

Consumer Price Index for March 2020

	Mar 2019	Feb 2020	Mar 2020	Feb to Mar 2020	Mar 2019 to Mar 2020
	2002=100			% change	
Canada	135.4	137.4	136.6	-0.6	0.9
Alberta	143.1	145.5	144.1	-1.0	0.7
Edmonton CMA	143.0	145.5	144.3	-0.8	0.9
Calgary CMA	143.3	145.4	144.2	-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 (136.6), Edmonton's higher CPI (144.3) 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 37 per cent for Canada.

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