

The City of Edmonton's 2024 Municipal Price Inflation Update

Understanding Inflation

Inflation is defined as the rate of price growth for goods and services over a period of time, which means that every unit of currency buys a different amount of goods and services over time. For example, if an item costs \$100.00 in period 1 and period-to-period inflation is two per cent, that same item will cost \$102.00 in period 2, \$104.04 in period 3 and so forth. Statistics Canada's Consumer Price Index (CPI) measures price changes for goods and services purchased by Canadian consumers and is the most widely used indicator of price changes in Canada.

The City of Edmonton's ("City") costs to provide municipal services also face inflation. Due to price increases, the City requires more money to purchase the same mix of goods and services over time. However, because the City purchases a considerably different range of goods and services than the average consumer, the CPI is not an adequate measure of the inflation City operations face. Thus, a Municipal Price Index (MPI) was developed to estimate operating price inflation faced by the City.

The MPI is not a prescriptive tool that mandates annual operating expenditure increases. Rather, it is a tool that helps inform the budgetary process of external economic conditions that the City may be exposed to. Details on the MPI methodology can be found in the [MPI Backgrounder](#).

2024 Municipal Price Index Calculation

The MPI is updated on an annual basis, typically during the first half of the year. Annual updates to the MPI involve revising the previous year's estimated MPI values to incorporate historical inflation figures for previously forecasted values and updating the inflation factors for the current year and the next four years with updated forecast values. Where labour agreements have been settled since the previous update and extend into future years, these realized values will be incorporated for forecast years. Revisions to historical estimates beyond the previous year are only made when there are revisions to historical inflation factors, such as from Statistics Canada, or new collective agreements that came into force between update periods that would have an impact on historical inflation for City personnel expenditures.

Municipal inflation for 2023 was estimated at 1.76 per cent, which was lower than the projection of 2.57 per cent in the 2023 MPI update. The slower rate was due primarily to the settlement of outstanding labour agreements at lower rates of wage and benefit growth than displayed by the forecast data utilized as a placeholder for unsettled labour agreements in 2023.¹ Actual inflation was

¹ At the time of publication, there remains one unsettled labour agreement for 2023, which leaves open the possibility of further revision to the 2023 MPI in the future.

also slightly weaker than projected across most MPI components, with the notable exception of electricity, which saw stronger inflation than anticipated.²

The municipal inflation rate for 2024 is forecast to be 2.10 per cent, just over a quarter of a percentage point higher than forecast last year. This is anticipated to be largely driven by higher forecast inflationary pressures brought on by employee wages, salaries and benefits, although inflationary pressures are also forecast slightly higher across the majority of MPI components. These higher price pressures are forecast to be somewhat moderated by lower forecast pressures from equipment, materials, electricity, utilities (excluding natural gas and electricity), and especially natural gas. Over the remainder of the forecast horizon, 2025-2028, inflation expectations for the City are expected to be largely in line with previous expectations, averaging 1.9 per cent annually.

Table 1. City of Edmonton Municipal Inflation

| | | Weighted Expenditure Category Inflation | | |
|---|--------|---|--------|---------------|
| Expenditure Category | Weight | 2023e | 2024f | 2025-28f Avg. |
| Wages and Salaries | 45.48% | 0.90% | 1.39% | 1.07% |
| Employee Benefits Total | 8.41% | 0.17% | 0.26% | 0.20% |
| Equipment (Vehicles and Computers) | 3.77% | -0.07% | -0.02% | 0.06% |
| Fuel | 1.88% | -0.30% | -0.05% | 0.00% |
| Materials | 3.26% | -0.06% | -0.02% | 0.05% |
| Natural Gas | 0.57% | -0.17% | -0.11% | 0.08% |
| Electricity | 1.38% | 0.49% | -0.02% | 0.03% |
| Utilities (excl. Natural Gas and Electricity) | 0.62% | -0.01% | -0.01% | 0.01% |
| External Space | 1.34% | 0.04% | 0.04% | 0.03% |
| Grants & Board Requisition | 1.29% | 0.04% | 0.04% | 0.03% |
| Land Cost | 3.54% | -0.02% | 0.10% | 0.07% |
| Tax Adj & Concessions | 0.57% | 0.02% | 0.02% | 0.01% |
| Other Expenses | 7.44% | 0.21% | 0.22% | 0.15% |
| Other Financing | 0.02% | 0.00% | 0.00% | 0.00% |
| Travel & Training | 0.16% | 0.00% | 0.00% | 0.00% |
| Contract Services | 7.84% | 0.17% | 0.24% | 0.18% |
| Professional Services | 1.21% | 0.03% | 0.04% | 0.03% |
| Debt Service Total | 11.22% | 0.32% | -0.02% | -0.07% |
| | 100.0% | | | |
| Municipal Price Inflation | | 1.76% | 2.10% | 1.94% |

Sources: City of Edmonton, Statistics Canada, Bank of Canada, Conference Board of Canada

Notes: "e" = estimates, "f" = forecasts

² There were also relatively minor upward revisions to natural gas and debt service inflation factors.