

Inflation rate jumps higher in December 2021

January 19, 2022

The annualised rate of consumer inflation in the Edmonton census metropolitan area (CMA) was 4.6 per cent in December 2021, which represents an acceleration from 3.9 per cent in November. Prices in December rose 4.2 per cent year-over-year in the shelter component, largely reflecting strong growth in utility costs.

Edmonton CMA Consumer Price Index - December 2021

	Dec 2020	Nov 2021	Dec 2021	M/M	Y/Y
	2002=100			% change	
All-items	144.7	151.1	151.4	0.2	4.6
Shelter	176.9	182.0	184.3	1.3	4.2
Rented accommodation	149.8	144.8	146.5	1.2	-2.2
Owned accommodation	171.9	172.8	173.4	0.4	0.9
Water, fuel and electricity	220.5	261.7	271.6	3.8	23.2

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

Note: This table outlines the percentage change in the monthly CPI reading from the previous month, as well as the same month a year earlier (also known as the annualised rate).

Alberta's annualised rate of inflation accelerated as well in December 2021, reaching 4.8 per cent. Prices rose in seven of the eight major components, with the most pronounced increase in transportation. Much like many other months in 2021, price pressures for food and energy¹ remained elevated. In December, food prices were up 5.2 per cent year-over-year. Unfavourable weather conditions and supply chain disruptions were two factors applying upward pressure on grocery prices. Excluding food and energy, prices rose by 2.3 per cent year-over-year in December 2021.

¹ Statistics Canada's special aggregate for energy includes electricity, natural gas, fuel oil, gasoline, and fuel parts and accessories for recreational vehicles.

In 2021, the annual average rate of inflation in the Edmonton CMA was three per cent, a significant jump from one per cent in 2020. Shelter prices increased by 2.5 per cent year-over-year in 2021, largely influenced by very strong price growth for utilities (13.1 per cent year-over-year). Retail gasoline prices have also seen significant growth across fuel types. For example, the annual average price for regular unleaded gasoline jumped by 39.2 per cent year-over-year in 2021. Beyond shelter, provincial price trends by major components, in particular food, energy, and transportation can shed light on other factors bolstering the rate of inflation in the Edmonton CMA.

Price pressures are expected to remain elevated from pandemic-related factors like supply chain disruptions and market imbalances for some energy commodities over the near to short-term. As well, there may be additional upward pressure on food prices coming from unexpected weather events during the growing season and rising costs to produce. The impact of pandemic-related factors on prices is expected to ease, though the timing of when this happens, and the pace remain unknown at this time. The inflation forecast for 2022 considers these price pressures, with an expected average rate of 2.8 per cent in 2022, followed by an average rate of two per cent in 2023. However, the environment remains highly uncertain, with growing risks that actual rates may come in higher than expected.

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 indicate that since 2002, prices for consumer goods have risen somewhat faster in Edmonton compared to the Canadian average.

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