

Inflation rate stays below one per cent in January

February 17, 2021

The annualised rate of change in the Consumer Price Index (CPI) for the **Edmonton** Census Metropolitan Area (CMA) was 0.9 per cent in January 2021, a modest increase from 0.7 per cent in December 2020. Price growth for rented accommodation and water, fuel and electricity more than offset a decline in prices for owned accommodation, lifting the annualised inflation rate for shelter to 1.7 per cent in January.

In **Alberta**, the annualised inflation rate held steady from the previous month at 0.8 per cent in January. Annualised price growth for food slowed considerably in January, increasing by 0.3 per cent compared to 1.2 per cent in December 2020 and 4.6 per cent in January 2020. Another notable slowdown in price growth was for natural gas. Natural gas prices have been on an upward trend with consistent double-digit price growth from June to November 2020. Since November, price growth has been below 10 per cent; in January, natural gas prices were 9.5 per cent higher on an annualised basis.

The annualised rate of inflation in **Canada** picked up its pace to reach one per cent in January, up from 0.7 per cent in December 2020. According to Statistics Canada, higher prices for durable goods, such as new models for passenger vehicles, and higher gasoline prices were large contributors to the faster rate in price growth.

Consumer Price Index for January 2021

	Jan 2020	Dec 2020	Jan 2021	Dec 2020 to Jan 2021	Jan 2020 to Jan 2021
	2002=100			% change	
Canada	136.8	137.4	138.2	0.6	1.0
Alberta	144.7	144.8	145.8	0.7	0.8
Edmonton CMA	144.5	144.7	145.8	0.8	0.9

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).

Significance

The monthly rate of inflation (for all items) in the Edmonton region stayed below one per cent in January, while shelter prices saw a 1.7 per cent increase. Upward pressures on prices for shelter came from a five per cent increase in rented accommodation prices and continued price growth for water, fuel and electricity. Natural gas prices (as indicated in provincial data) have experienced consistent upward pressures since May 2020, which likely also applies to natural gas price trends in the region.

In 2021, the inflation rate in the Edmonton region is projected to remain below two per cent and is supported by expectations that public health guidelines will eventually ease. This will allow for increased expenditures in some components that were largely impacted by these guidelines, like clothing and footwear, and public transportation, which held back price growth in many months of 2020 as reflected in provincial data.

Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, averaged 1.5 per cent in January, which remains lower than the midpoint of the Bank's target range of one to three per cent.

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

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