

Economic Indicators

Low inflation persists in August 2020

September 16, 2020

The inflation rate in the **Edmonton** Census Metropolitan Area (CMA), as measured by year-over-year changes in the Consumer Price Index (CPI), was 0.6 per cent in August, a reduction from a rate of almost one per cent in July. On a year-over-year basis, shelter-related prices in the region increased by 1.6 per cent in August with the most prominent gains in the water, fuel and electricity component, and for rented accommodation.

The **Calgary CMA's** annualised rate of inflation slowed in August 2020 to 0.6 per cent from 0.8 per cent in July. Shelter-related prices in the Calgary region were 1.4 per cent higher year-over-year in August.

Consumer-based inflation in **Alberta**, much like its two largest centres, came down in August 2020 to an annualised rate of 0.6 per cent from 0.9 per cent in July. Prices rose in six of the eight major components with price growth for food items and shelter seeing the most significant gains. Soft price growth for services was one component holding back overall inflation in the province, increasing by 0.1 per cent year-over-year in August compared to an almost 1.1 per cent price gain for goods. Energy price growth stayed in negative territory in August, largely due to negative growth in gasoline prices. Natural gas prices continued to post double-digit year-over-year growth in August.

The annual rate of inflation in **Canada** held its pace of growth at 0.1 per cent in August. Price gains for food and shelter continued to be the largest contributors to the rate of inflation. Monthly energy prices continued to lose ground, decreasing by 6.3 per cent year-over-year in August due largely to lower gasoline and fuel prices. Excluding energy, the consumer-based inflation rate in Canada rose by 0.7 per cent year-over-year in August.

Significance

Gasoline prices in the Edmonton CMA continued to post year-over-year reductions in August and were one factor contributing to the slower rate of inflation in the region. Although detailed information on inflation in the Edmonton CMA is limited to the shelter category, provincial price changes observed in the remaining seven categories, including food and transportation, may also apply to the region. One example is price growth for food-related items in Alberta which came down to 1.5 per cent year-over-year in August compared to 1.9 per cent in July and as high as 3.9 per cent in May. The rate of inflation in the Edmonton CMA is expected to remain below two per cent for the balance of 2020.

Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by

the Bank of Canada, ticked back up to 1.7 per cent in August from 1.6 per cent in July. At 1.7 per cent, the core inflation rate in August remained lower than the midpoint of the Bank's target range of one to three per cent.

Consumer Price Index for August 2020

	Aug 2019	July 2020	Aug 2020	July to Aug 2020	Aug 2019 to Aug 2020
	2002=100			% change	
Canada	136.8	137.2	137.0	-0.1	0.1
Alberta	143.4	144.9	144.2	-0.5	0.6
Edmonton CMA	143.6	145.2	144.4	-0.6	0.6
Calgary CMA	143.4	144.7	144.2	-0.3	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 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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