

Edmonton's inflation rate accelerates in January 2020

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Inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), rose to 2.7 per cent in January 2020 from 2.3 per cent in December 2019. On a year-over-year basis, shelter-related costs were 1.5 per cent higher in January 2020, largely driven by an almost eight per cent increase in costs for water, fuel and electricity.

Calgary's annual rate of inflation was 2.8 per cent in January 2020, an increase from 2.1 per cent in December 2019. Shelter-related costs rose 1.2 per cent year-over-year in January 2020, primarily due to higher owned accommodation costs as well as costs related to water, fuel and electricity. The jump in the January 2020 inflation reading was also due to higher gasoline prices, with average prices almost seven per cent higher year-over-year.

Consumer-based inflation in **Alberta** jumped to three per cent in January 2020 from an annual rate of 2.3 per cent in December 2019. Higher costs for food and energy were the largest drivers behind the increase in inflation. On a year-over-year basis in January 2020, food costs were 4.6 per cent higher while energy costs saw an almost seven per cent increase. Excluding food and energy costs, prices in Alberta increased by 2.2 per cent year-over-year in January 2020.

In **Canada**, the annual change in CPI was 2.4 per cent in January 2020, up from 2.2 per cent in December 2019. Similar to Alberta, the gain in inflation was largely due to higher food and energy costs. On a year-over-year basis in January 2020, food costs rose 3.2 per cent while energy costs increased 6.8 per cent. Gasoline costs, which are included in the broader energy category, were 11.2 per cent higher year-over-year in January 2020.

Significance

Gasoline prices in the Edmonton CMA were 7.6 per cent higher year-over-year in January 2020. Coupled with increased shelter costs, these factors brought the inflation rate higher, reaching 2.7 per cent in January 2020. Looking ahead, there may be accelerated inflation by way of increased costs for imported consumer goods such as food, clothing and electronics in response to ongoing trade disputes. While data for clothing costs are not available for the Edmonton CMA, provincial data suggest costs for clothing and footwear are rising as well. Costs in this category were 8.6 per cent higher year-over-year in January 2020, compared to a 5.1 per cent increase in December 2019. As well, gasoline prices rising significantly could add additional upward pressure on inflation. Inflation in Edmonton is expected to be in the two per cent range for 2020.

Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, ticked down to an average of two per cent in January 2020 from 2.1 per cent in December 2019. This is exactly at the midpoint of the Bank's target range of one to three per cent.

Consumer Price Index for January 2020

	Jan 2019	Dec 2019	Jan 2020	Dec 2019 to Jan 2020	Jan 2019 to Jan 2020
	2002=100			% change	
Canada	133.6	136.4	136.8	0.3	2.4
Alberta	140.5	143.7	144.7	0.7	3.0
Edmonton CMA	140.7	143.7	144.5	0.6	2.7
Calgary CMA	140.7	143.7	144.6	0.6	2.8

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

Economics Made Simple: How is inflation tracked?

Simply put, inflation is tracked through Statistics Canada's Consumer Price Index (CPI), which represents price changes as experienced by Canadian consumers. The CPI measures price changes through time by comparing the cost of a fixed basket of goods and services. The base year of the index is 2002, which means that CPI readings are representative of how much prices have changed since 2002. The annual rate of inflation is most commonly reported as the year-over-year percentage change in the index.

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 (136.8), Edmonton's higher CPI (144.5) 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 45 per cent for Edmonton, compared to about 37 per cent for Canada.

Contact

John Rose
Chief Economist
Financial and Corporate Services
780-496-6070

Felicia Mutheardy
Senior Economist
Financial and Corporate Services
780-496-6144

Contact for media inquiries

Matt Pretty
Communications Advisor
Financial and Corporate Services
780-442-0970

