

Inflation rate accelerates in August

September 15, 2021

The annualised rate of inflation in the **Edmonton** census metropolitan area (CMA) accelerated in August 2021 to reach 4.4 per cent from 3.2 per cent in July. Shelter prices increased by 4.1 per cent year-over-year in August, driven largely by price growth for utilities. Gasoline prices in the Edmonton region continued to see double-digit year-over-year growth for all fuel types in August.

Consumer Price Index for August 2021

	August 2020	July 2021	August 2021	July to August 2021	August 2020 to August 2021
	2002=100			% change	
Canada	137.0	142.3	142.6	0.2	4.1
Alberta	144.2	150.3	151.0	0.5	4.7
Edmonton CMA	144.4	149.9	150.7	0.5	4.4

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).

Inflation also accelerated in August at the provincial and national level. In Alberta, inflation reached an annualised rate of 4.7 per cent in August from 3.7 per cent in July. Much higher energy prices were a significant contributor with year-over-year price growth of almost 34 per cent in August. Excluding energy, Alberta's Consumer Price Index rose 2.7 per cent year-over-year in August. Nationally, consumer-based inflation picked up to a rate of 4.1 per cent year-over-year in August, which was the fastest annualised pace since March 2003. According to Statistics Canada, the acceleration came from an accumulation of price pressures in recent months coupled with lower prices in 2020.

Though an aggregate index for energy is not available for the Edmonton CMA, it is more than likely that energy is playing a big part in inflation rates accelerating, especially since price trends for utilities and gasoline in recent months correspond to provincial price trends. Based on the City of Edmonton's spring 2021 forecast, inflation in the Edmonton CMA is predicted to

average 2.2 per cent in 2021, though risks are leaning towards the upside. Uncertainty related to the impact of supply chain disruptions on prices, coupled with rising demand from reopening plans unlocking consumer savings, are factors contributing to this upside risk. However, energy price growth is increasing in importance as a factor to consider, especially if recent growth trends persist.

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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