

Inflation rate slides below one per cent in December 2020

January 21, 2021

The annualised rate of change in the Consumer Price Index (CPI) for the **Edmonton** Census Metropolitan Area (CMA) slowed to 0.7 per cent in December 2020 from 1.2 per cent in November. Shelter-related price growth in the Edmonton region remained positive year-over-year at 0.4 per cent in December, almost entirely driven by price growth for rented accommodation which rose by 2.3 per cent.

The annualised rate of consumer-based inflation in **Alberta** eased in December to 0.8 per cent from 1.3 per cent in November. Five of the eight major components saw overall price growth slow on a month-over-month basis in December. The food component saw price growth of 1.2 per cent on a year-over-year basis, supported by an over two per cent price increase for food purchased from restaurants. Price growth for rented accommodation and private transportation also saw notable increases of 2.1 per cent and 4.5 per cent, respectively in December.

The annualised rate of inflation in **Canada** was 0.7 per cent in December, a slight reduction from a rate of one per cent in November. The slowdown in price growth was largely due to lower air transportation prices, as well as lower food price growth.

Consumer Price Index for December 2020

	Dec 2019	Nov 2020	Dec 2020	Nov to Dec 2020	Dec 2019 to Dec 2020
	2002=100			% change	
Canada	136.4	137.7	137.4	-0.2	0.7
Alberta	143.7	145.4	144.8	-0.4	0.8
Edmonton CMA	143.7	145.4	144.7	-0.5	0.7

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

Edmonton's inflation slowed to a rate below one per cent in December, with negative price growth for owned accommodation and relatively unchanged price growth for water, fuel and electricity-related items. Though more granular details for the shelter component are not available for the Edmonton CMA, provincial details on water, fuel and electricity prices can shed some insights on what may be influencing regional prices as price growth in this subcomponent saw the strongest rates of growth in monthly readings since the spring. In December, provincial prices for electricity declined by five per cent year-over-year, representing the third consecutive month of price declines. Year-over-year price growth for water was 0.72 per cent in December, whereas the price for natural gas grew by 8.8 per cent. It is worth noting that the price for natural gas had been seeing double-digit price growth between June and November 2020.

Edmonton's inflation rate in 2020 averaged 1.1 per cent year-over-year with shelter-related price growth averaging 1.2 per cent. The shelter-related component was largely influenced by growth in water, fuel and electricity-related prices.

In 2021, the inflation rate in the Edmonton region is projected to average 1.9 per cent, supported by expectations that public health guidelines will ease, allowing for increased expenditures in components where expenditure levels were previously subdued, and which held back overall price growth.

Edmonton CMA Consumer Price Index for 2020

	2019	2020	Year-over-year
	2002=100		% change
All-items	143.2	144.7	1.1
Shelter	173.7	175.8	1.2
Rented Accommodation	144.7	146.1	1.0
Owned Accommodation	172.7	173.3	0.4
Water, fuel and electricity	207.6	216.1	4.1

Source: Statistics Canada, Table 18-10-0005-01

Note: This table outlines the percentage change between the annual average CPI in 2019 and 2020. Annual averages are obtained by calculating the average of the monthly index values from January to December each year.

Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, averaged 1.6 per cent in December, and 1.7 per cent overall in 2020. The monthly and annual averages remain 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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