

# Economic Indicators

## Inflation rebounds in June 2020

July 23, 2020

Inflation in the **Edmonton** Census Metropolitan Area (CMA), as measured by the Consumer Price Index (CPI), returned to positive territory in June, reaching a rate of 1.4 per cent year-over-year from a rate of -0.1 in May 2020. Shelter-related prices rose 2.1 per cent year-over-year in June, with an 8.1 per cent increase in water, fuel and electricity related prices as the largest contributor.

The **Calgary CMA's** annual rate of inflation continued to rise in June, reaching 1.5 per cent in from 0.1 per cent in May. Shelter-related prices in the region gained 2.6 per cent year-over-year, with the most significant price increases for water, fuel and electricity, as well as rented accommodation.

Consumer-based inflation in **Alberta** bounced back to 1.6 per cent in June, from a rate of 0.1 per cent in May. The price of food items continued to increase, though at a slightly reduced year-over-year rate of almost four per cent compared to almost five per cent growth in May. Energy price growth returned to positive territory in June after three consecutive months of double-digit reductions. Natural gas price growth was the largest contributor, posting growth of almost 44 per cent year-over-year in June compared to almost three per cent in May.

The annual rate of inflation in **Canada** picked up its pace in June, reaching 0.7 per cent from -0.4 per cent in May. Prices rose in five of the eight major categories on a year-over-year basis. Price gains for food, particularly meat products, and shelter contributed the most to June's improved pace of inflation. Energy prices remained lower on a year-over-year basis in June, though the rate of decline was significantly slower than in May. Excluding energy, the consumer-based inflation rate in Canada was 1.3 per cent in June compared to one per cent in May.

### Significance

The year-over-year comparison for gasoline prices in the Edmonton CMA was significantly different compared to previous months, as gasoline prices in June 2019 were lowered in response to the removal of the provincial carbon tax. The difference between prices in June 2020 and June 2019 was smaller because of this factor, meaning that prices did not decline by quite as much. Although detailed information on inflation in the Edmonton CMA is limited to the shelter category, it would be reasonable to assume that provincial price changes observed in the remaining seven categories would be similar in the region, particularly price changes for natural gas.

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

the Bank of Canada, ticked up to an average of 1.7 per cent in June from 1.6 per cent in May. The core inflation rate in June remained lower than the midpoint of the Bank's target range of one to three per cent.

#### Consumer Price Index for June 2020

|                     | June 2019 | May 2020 | June 2020 | May to June 2020 | June 2019 to June 2020 |
|---------------------|-----------|----------|-----------|------------------|------------------------|
|                     | 2002=100  |          |           | % change         |                        |
| <b>Canada</b>       | 136.3     | 136.1    | 137.2     | 0.8              | 0.7                    |
| <b>Alberta</b>      | 142.7     | 144.1    | 145.0     | 0.6              | 1.6                    |
| <b>Edmonton CMA</b> | 143.0     | 144.0    | 145.0     | 0.7              | 1.4                    |
| <b>Calgary CMA</b>  | 142.7     | 144.2    | 144.9     | 0.5              | 1.5                    |

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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