

The City of Edmonton's 2025 Municipal Price Inflation Update

Understanding Inflation

Inflation is defined as the rate of price growth for goods and services over a period of time, meaning each unit of currency buys a different amount of goods and services over time. For example, if an item costs \$100.00 in period 1 and period-to-period inflation is two per cent, that same item will cost \$102.00 in period 2, \$104.04 in period 3 and so forth. Statistics Canada's Consumer Price Index (CPI) measures price changes for goods and services purchased by Canadian consumers and is the most widely used indicator of price changes in Canada.

The City of Edmonton's ("City") costs to provide municipal services also face inflation. Due to price increases, the City requires more money to purchase the same mix of goods and services over time. However, because the City purchases a considerably different range of goods and services than the average consumer, the CPI is not an adequate measure of the inflation City operations face. Thus, a Municipal Price Index (MPI) was developed to estimate operating price inflation faced by the City.

The MPI is not a prescriptive tool that mandates annual operating expenditure increases. Rather, it is a tool that helps inform the budgetary process of external economic conditions that the City may be exposed to. Details of MPI methodology can be found in the [MPI Backgrounder](#).

2025 Municipal Price Index Calculation

The MPI is updated on an annual basis, typically during the first half of the year. Annual updates involve revising the previous year's estimated MPI values to incorporate historical inflation figures for previously forecasted values and updating the inflation factors for the current year and next four years with updated forecasts. In cases where labour agreements have been settled since the previous update, if these extend into the future, the negotiated settlements are accounted for in forecast years. Revisions to historical estimates beyond the previous year are only made when there are revisions to historical inflation factors, such as from Statistics Canada, or new collective agreements came into force between update periods that would impact historical inflation for City personnel expenditures.

Municipal inflation for 2024 was estimated at 1.63 per cent, lower than the projection of 2.10 per cent in the 2024 MPI update. The slower rate was due primarily to electricity inflation coming in lower than forecast, accounting for a nearly -0.6 percentage points revision to 2024 MPI inflation, moderately muted by aggregate inflation across other categories coming in higher than forecast.¹

¹ Slightly lower price changes than forecast were recorded for wages and salaries, natural gas, utilities, land cost and other expenses. Slightly higher than forecast changes were recorded for equipment, fuel, materials, external space, contract services and professional services. There were no changes for other categories.

MPI inflation for 2024 remains an estimate, however, as not all City labour agreements have been settled for 2024 as of publication.

Municipal inflation for 2025 is forecast to be 1.89 per cent, almost 0.2 percentage points higher than forecast last year. Compared to last year's forecast for 2025, price increases for equipment, materials, natural gas, land cost, other expenses and debt service are now anticipated to be marginally stronger. These increases are forecast to be moderated by lower inflation for fuel, electricity, contract services and professional services. Inflationary pressures across other categories are not expected to look different than the previous forecast. Over the remainder of the forecast horizon, 2026-2029, municipal inflation expectations are expected to average 2.0 per cent annually.

Table 1. City of Edmonton Municipal Inflation

		Weighted Expenditure Category Inflation		
Expenditure Category	Weight	2024e	2025f	2026-29f Avg.
Wages and Salaries	45.48%	1.38%	1.04%	1.07%
Employee Benefits Total	8.41%	0.26%	0.19%	0.20%
Equipment (Vehicles and Computers)	3.77%	0.03%	0.14%	0.07%
Fuel	1.88%	-0.04%	-0.08%	0.05%
Materials	3.26%	0.03%	0.12%	0.06%
Natural Gas	0.57%	-0.12%	0.20%	0.01%
Electricity	1.38%	-0.58%	0.03%	0.03%
Utilities (excl. Natural Gas and Electricity)	0.62%	-0.02%	0.01%	0.01%
External Space	1.34%	0.05%	0.03%	0.03%
Grants & Board Requisition	1.29%	0.04%	0.03%	0.02%
Land Cost	3.54%	0.05%	0.08%	0.07%
Tax Adj & Concessions	0.57%	0.02%	0.01%	0.01%
Other Expenses	7.44%	0.20%	0.16%	0.14%
Other Financing	0.02%	0.00%	0.00%	0.00%
Travel & Training	0.16%	0.00%	0.00%	0.00%
Contract Services	7.84%	0.31%	0.10%	0.16%
Professional Services	1.21%	0.05%	0.02%	0.03%
Debt Service Total	11.22%	-0.02%	-0.19%	0.00%
	100.0%			
Municipal Price Inflation		1.63%	1.89%	1.96%

Sources: City of Edmonton, Statistics Canada, Bank of Canada, Conference Board of Canada

Notes: "e" = estimates, "f" = forecasts