

## Though elevated, inflation rate slows slightly in June

July 28, 2021

Note: On July 21, 2021, [Statistics Canada](#) announced that the basket weights for the Consumer Price Index (CPI) were updated based on consumer spending patterns from the 2020 national Household Final Consumption Expenditure series. Basket weights have historically been derived from household expenditures that are reported in Statistics Canada's Survey of Household Spending and have been updated every two years since 2011. According to Statistics Canada, due to the COVID-19 pandemic and its significant impact on household and consumer spending, the 2021 basket weight update was delayed so that they could include more recent 2020 national expenditures, rather than relying solely on 2019 household expenditures. The updated weights are reflected in the June 2021 CPI release.

Consumer-based inflation in the **Edmonton** Census Metropolitan Area (CMA) slowed to an annualised rate of 2.5 per cent in June 2021 from 2.9 per cent in May. Price growth in the shelter component rose at an annualised rate of 2.5 per cent in June, driven by price growth in utilities (i.e., water, fuel, and electricity) and rented accommodation. Gasoline prices in the Edmonton region continued to post double-digit year-over-year growth rates in June, though the pace of growth has slowed slightly.

There remains some upside risk to inflation expectations in the Edmonton region. As of the City of Edmonton's spring 2021 forecast, inflation is predicted to average 2.2 per cent in 2021. Even though base-year effects<sup>1</sup> are expected to fade over the balance of the year, pent-up consumer demand and supply chain disruptions may keep the rate of inflation elevated as economies in other jurisdictions gradually reopen.

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<sup>1</sup> A base-year effect refers to the impact that price movements from 12 months earlier have on the current month's annualised rate of inflation.

## Consumer Price Index for June 2021

	June 2020	May 2021	June 2021	May to June 2021	June 2020 to June 2021
	2002=100			% change	
<b>Canada</b>	137.2	141.0	141.4	0.3	3.1
<b>Alberta</b>	145.0	148.6	148.9	0.2	2.7
<b>Edmonton CMA</b>	145.0	148.2	148.6	0.3	2.5

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).

Much like Edmonton, inflation in Alberta slowed in June to an annualised rate of 2.7 per cent from 3.1 per cent in May. Provincial energy prices rose by 23 per cent year-over-year in June, a reduction from annualised growth of almost 27 per cent in May. The national CPI gained 3.1 per cent year-over-year in June compared to 3.6 per cent in May. The shelter and transportation components contributed the most to the national headline inflation rate in June. Canada's core inflation rate, as reflected in the three measures of consumer prices tracked by the Bank of Canada, averaged 2.2 per cent in June. This average remained above the Bank's inflation-control 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 indicate that since 2002, prices for consumer goods have risen somewhat faster in Edmonton compared to the Canadian average.

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