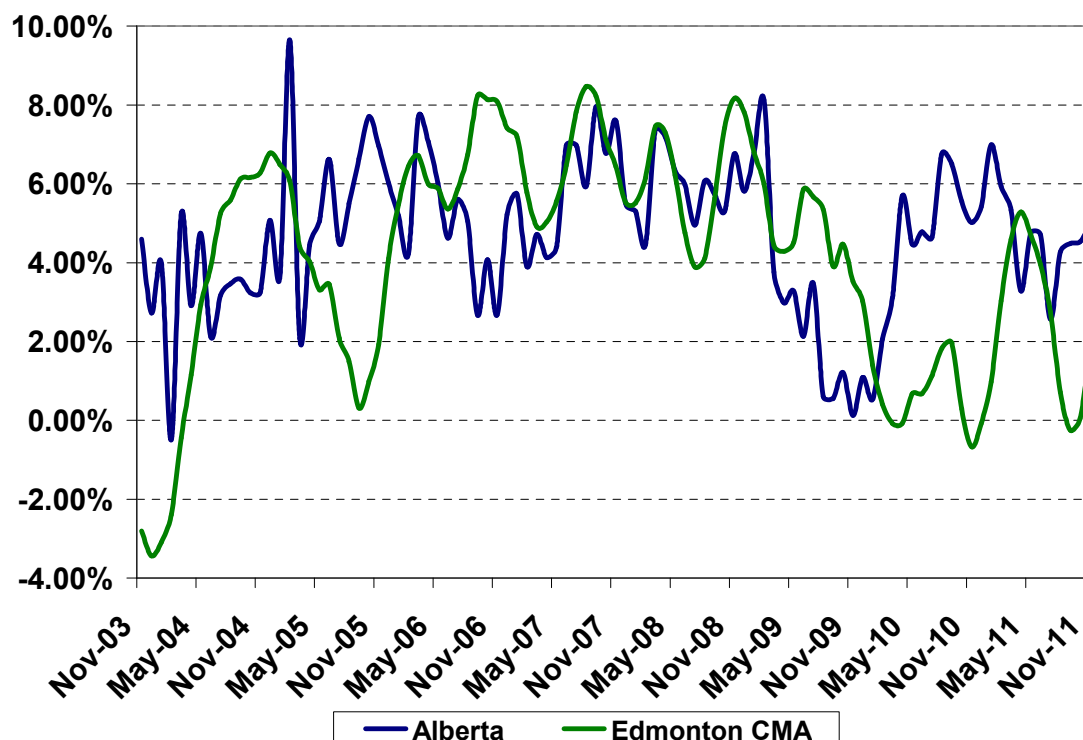


## Average Weekly Earnings and Consumer Inflation for Alberta and the Edmonton Census Metropolitan Area

### Average Weekly Earnings

Figure I illustrates the movement of average weekly earnings for Alberta and the Edmonton Census Metropolitan Area (CMA). While both series move in a broadly similar pattern over the business cycle they can diverge for significant periods of time. This is shown most clearly in the graph from the end of 2009 to the end of 2011 when growth in the average weekly earnings for the Edmonton CMA was well below that of Alberta's.

Figure 1 - Year-over-year Growth in Average Weekly Earnings



Another way to see this is to examine the long term growth in the two measures of average weekly wages. Table 1 presents the growth in both variables for the two periods. The first period from November 2002 to November 2009 excludes the recent divergence. For that period the growth rates of the two measures are not significantly different. The second period presented in the table does include more recent values with the result that the value for growth in Edmonton's average weekly earnings is less than that of the province.

Table 1 - Growth in Average Weekly Earnings

	Alberta	Edmonton CMA
Nov. 2002 to Nov 2009	36.4%	35.6%
Nov 2002 to Nov 2012	50.3%	37.0%

As is also obvious from Figure 1, average weekly earnings are very unstable from month to month. This reflects the fact that earning can be influenced not only by changes in basic wages but also by:

- The number of hours worked in a week.
- Shifts in employment between high and low wage sectors of the economy.
- The hiring of workers with differing skills and experience.

As result, even though average weekly earnings do tend to rise more quickly during periods of high employment growth, the change in any month is very difficult to predict reliably.

This issue of volatility is even more acute for Edmonton. This is to be expected as the CMA's labour market is only about 30% the size of Alberta's and therefore more vulnerable to shocks that could suddenly send earnings up or down. This volatility limits the usefulness of the Edmonton variable as a basis for calculating changes in compensation since changes in year-over-year growth could be very large and the growth rate for any given period could be negative.

In summary growth in average earnings values for Edmonton and Alberta do grow at similar rates when averaged over long-time horizons. Nonetheless, they can diverge for periods of over a year. Consequently, the two measures cannot be used interchangeably. As well the values – particularly for Edmonton – have a very volatile pattern of growth. The result is wide swings in compensation changes calculated on the basis of average earnings. Using Edmonton based earnings values would generate even larger swings in compensation – swings that could lead to a negative result in a particular year – than the Alberta weekly earnings growth figures.

### **Trends in Consumer Based Inflation**

Figure 2 presents movements over the past decade in the Consumer Price Index (CPI) for the Edmonton Census Metropolitan Area, Alberta and Canada. Broadly speaking, Edmonton's CPI has tended to track closely trends evident in the provincial values. Prior to the recession both Edmonton and Alberta tended to out run change at the national level. This was particularly true in the boom period from 2005 to mid 2008. During the boom Edmonton's inflation rate was often twice the national value.

Since late 2008, Edmonton's inflation performance has improved significantly with values at or below the national equivalent over the past several years. Currently, CPI is running below 2.0% for both Alberta and Edmonton. This is the result of a moderation in price growth for a narrow range of products including gasoline and electricity. CPI based inflation in Edmonton is expected to increase over the remainder of 2012, with the annual value forecast to come in at 2.75%.

In summary inflationary conditions in Edmonton have been very subdued over the past few years. While CPI is expected to move slightly above the national average in coming

years, the large gaps with national CPI growth seen in the years prior to the recent recession are unlikely to recur in the medium term.

Figure 2 - Consumer Price Index - 2002 = 100

