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Inflation in the Pacific Region

September 2024

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All of the data discussed in this report come from the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) database. This source no longer produces estimates of price levels in Oregon nor any metropolitan area within Oregon, so this report references data from the Pacific region (Alaska, California, Hawaii, Oregon, and Washington).

Inflation Appears Stable, as the Fed Implements Anticipated Rate Cut

The inflationary environment has cost the average household in the Pacific region nearly \$33,310 compared to their spending in 2020. While prices surged at the start of 2024, growth has slowed in recent months across the country, with a slight increase in September for the Pacific region. From August to September 2024, prices in the Pacific region rose by 0.34%, which is 0.10 percentage points higher than the national trend. The region's price level is now 20.02% higher than it was at the start of 2021, slightly below the 21% increase seen nationwide.

Over the past year, the price level in the Pacific region increased by 2.34%, slightly below the national average of 2.44%. Regional prices for fuels and utilities, medical care, apparel, and food all rose at a faster pace than the national average. In contrast, prices for energy, commodities, and durable goods saw sharper declines locally compared to national trends.

Over the past two months, regional prices for energy (-0.98%), transportation (-0.48%), medical care (-0.43%), and durable goods (-0.39%) declined, while prices for apparel (6.07%), education (1.17%), fuels and utilities (0.81%), and food (0.47%) rose. Prices for commodities, recreation, services, and housing saw only a slight increase during this period.

- **Between August and September 2024, prices in the Pacific region rose by 0.34%**, compared to a 0.24% increase across the U.S.
- **From August '24 to September '24, apparel prices in the Pacific region surged by 6.07%, while education costs rose by 1.17%.**
- Over the past 12 months, inflation in the Pacific region was slightly lower than the national average— **2.34% in the Pacific region compared to 2.44% across the U.S.**
- Over the past year, the Pacific region experienced above-average price growth in fuels and utilities (5.43% vs. 3.03%), medical care (3.74% vs. 3.25%), food (3.02% vs. 2.27%), and apparel (4.81% vs. 1.79%). Local price decreases were larger for energy (-8.66% vs. -6.85%), durables (-3.24% vs. -2.9%), and commodities (-1.45% vs. -1.26%).

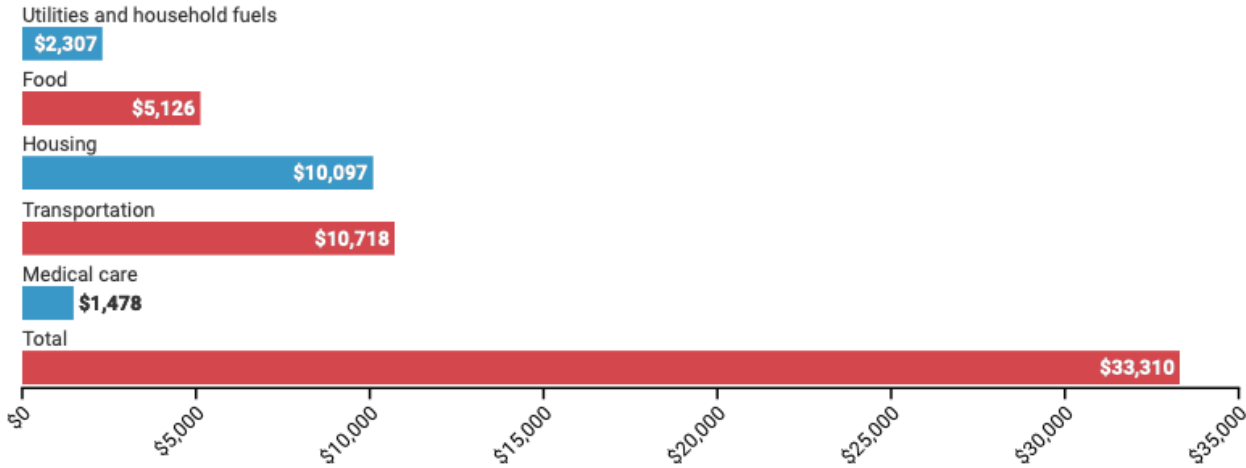
The recent stabilization in price growth enabled the Federal Reserve to implement a widely anticipated 50 basis point reduction in the target range for the federal funds rate, lowering it to 4-3/4 to 5 percent on September 18, 2024. This marked the first rate cut in four years, driven by progress in controlling inflation and a labour market that is no longer as tight as it was before the pandemic.

Despite the rate cut, the Fed continues its quantitative tightening efforts by reducing its holdings of Treasury and mortgage-backed securities to keep inflation close to the 2% target and prevent the overheating of the economy.

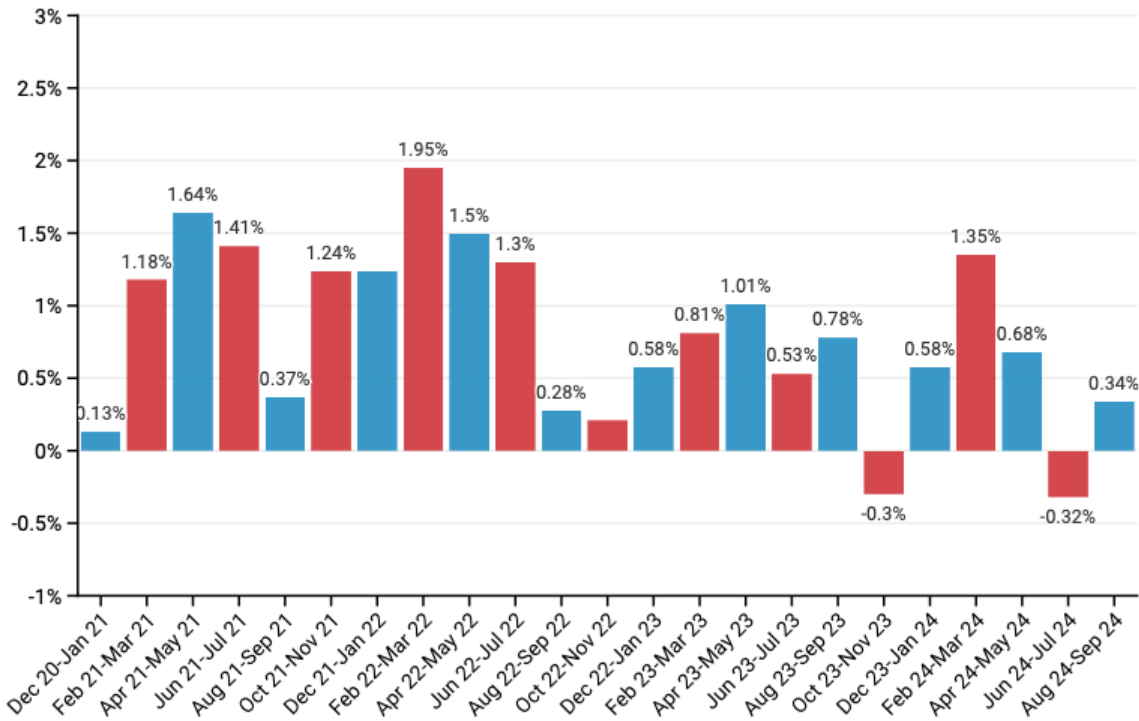
While the rate cut was expected, there is ongoing speculation about further cuts in the near future. However, policymakers will need additional data on inflation and employment to determine whether further easing of monetary policy is warranted.

Inflation's Impact on What Oregonians Buy

How much more has the average Pacific Region household spent since 2020 because of inflation?



Bi-monthly Inflation in the Pacific Region since January 2021

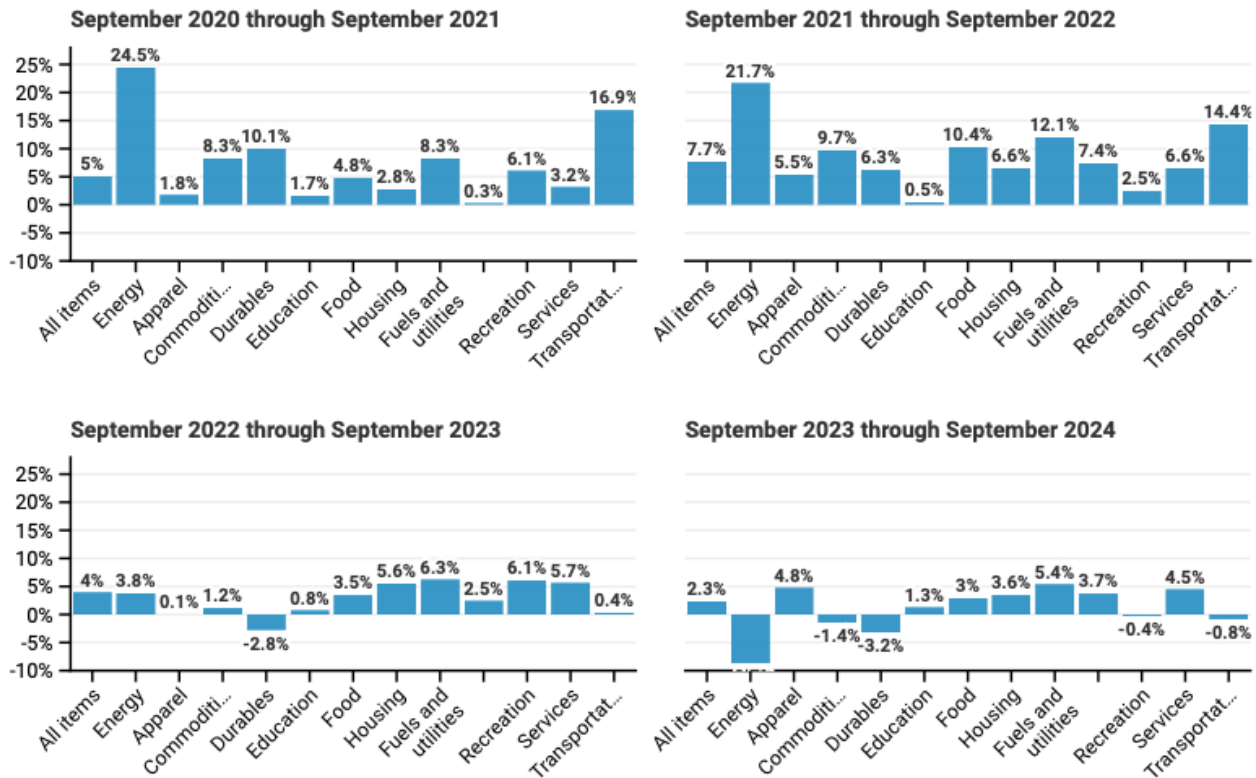


Source: BLS CPI-U Data • Pacific region comprises Alaska, California, Hawaii, Oregon, and Washington

Inflation in the Pacific region over the last 12 months was 2.34%—0.10 of a percentage points below the national average (BLS CPI Survey)¹

- Over the last year, fuels and utilities (5.43%) and apparel (4.82%) saw the most significant price increases in the Pacific region, followed by food, housing, and medical care.
- The two categories with the largest price declines in the region over the past 12 months were energy (-8.66%) and durables (-3.24%).

Year-over-Year Price Changes in the Pacific Region



Source: CPI-U Data

¹ <https://www.bls.gov/cpi/>