



July 2024

Inflation in Arizona

July 2024 Update

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Introduction

Inflation as measured by the Consumer Price Index (CPI) for the Phoenix metro area rose 2.7% year-over-year in June, an increase from 2.6% in April. This latest reading represents the 40th consecutive month of inflation above the standard target of 2.0% annually. While the rate of price increases continues to slow nationally (now +3.0% year-over-year), the local inflation rate hit its lowest level (+1.0%) in December 2020 and has remained range-bound since.

Between April and June, the CPI for the Phoenix area increased 0.4%, or an annualized rate of 2.1% (local inflation numbers are published every two months); the U.S. figure increased at a slower 0.2% over the two-month span. National figures showed inflation continuing its slow decline from 3.4% year-over-year in April to 3.0% in June. Headline inflation in the United States has been anchored to just above 3% since June of 2023, but if current trends continue that rate may finally fall below that level this year. Persistent national inflation above 3.0% has delayed plans by the nation's central bank for interest rate cuts, but that time may be approaching; the market continues to expect the first cuts in September 2024. At least one rate cut this year now seems likely.

Shelter inflation increased 0.6% in the two-month period between April and June - an annualized rate of 3.9% (down from 11.2% in April). Year-over-year, shelter costs in the Phoenix MSA rose 2.6%. **The price index for all items less shelter costs rose 0.2% since April.** The recently highly volatile shelter component of inflation continues to be a driver of overall consumer prices here, and while shelter inflation remains much calmer today than it was last year it also continues to hold our overall inflation rate aloft.

Prices in Metro Phoenix increased 0.4% (month-over-month) and increased +2.7% over the year (June '23 through June '24) - (BLS CPI Survey)

- **Not only is inflation above the 2.0% target but it is again accelerating in Arizona, even as it continues slowing nationally.**
- This is the 4th month in a row of year-over-year inflation rate increases since February 2024.
- Since the end of 2020, the typical Arizona household would have had to spend a combined \$36,911 more on food, housing, transportation, and other goods and services to buy the same stuff as they were buying three years ago.

Price Increases Since 2020


+\$443

2-Bedroom Monthly Rent
Increase in rent since October 2020 (45%)


+\$17.52

Tank Of Gas
Increase in price to fill a car since October 2020 (+65%)

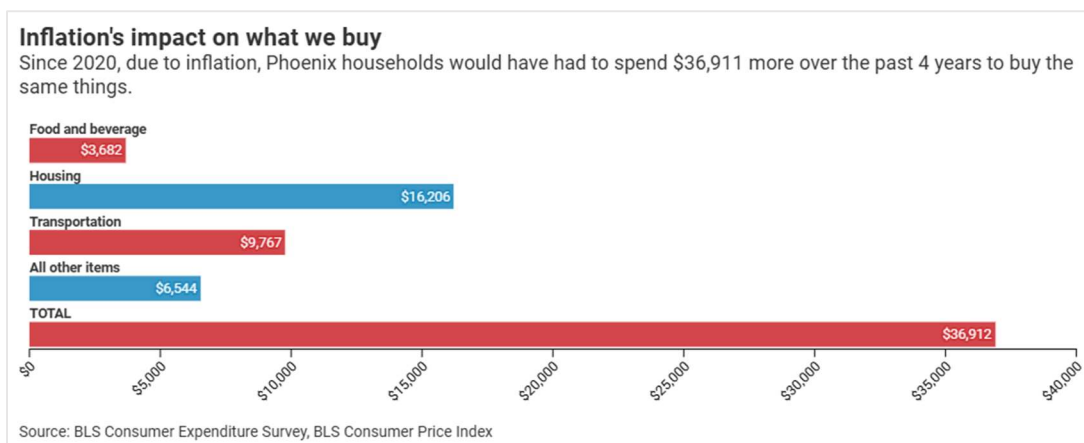

+\$20.88

Dinner Out For 4
A \$20 meal in 2020 would cost \$25.12 today (+26.1%)

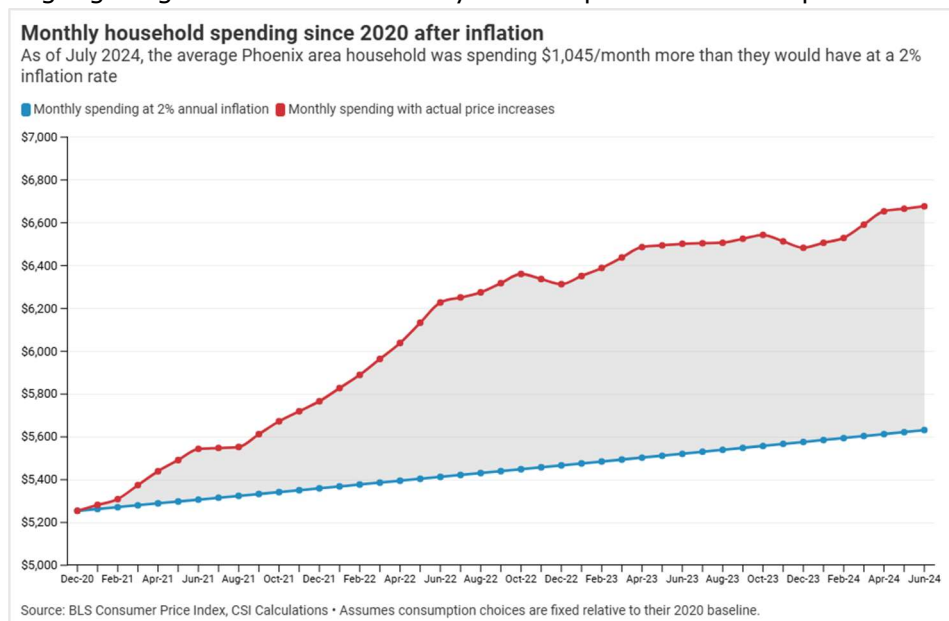

+\$302

Groceries
A month of groceries for a family of 4 in October 2020 costs \$976 today (+44.8%)

- **Had inflation instead run at 2%/year over the past three years, it would cost the typical Arizona family over \$9,227/year less to purchase the same goods and services today.**
- Even if the rate of inflation slows, it would take a sustained period of *deflation* to restore historical price levels.



- Inflation in metro Phoenix over the past 12 months (2.7%) remained lower than the national average (3.0%).
- **Of the 23 urban consumer price indices tracked by the BLS in June, the Phoenix metro area had the 5th lowest rate of measured inflation over the past year (backwards-looking) – coming in right behind Atlanta and Houston. This low ranking is a stark difference from 3rd highest in the month-over-month (real-time) figures, and again highlighting the extreme volatility of local prices since the pandemic.**



- Despite sticky inflation, incomes in Arizona are rising – over the past 12 months (May 2023 to May 2024), average hourly wages have risen 4.5%, while prices have increased only 2.7%. However, keeping in mind longer-term rising prices, **real wages in Arizona have fallen 9.4% since peaking in April 2020.**