



November 2023

Inflation in Arizona

November 2023 Update

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Introduction

On a year-over-year basis, the rate of Consumer Price Index (CPI) inflation in the Phoenix metropolitan area decreased in October, matching the lowest rate of inflation since March 2021. At 2.9%, year-over-year price inflation in the Phoenix metropolitan area is now just a third of its 9.0% reading in January of this year. Between August and October Phoenix area inflation rates decreased 0.8 percentage points (local inflation numbers are published every two months); over the same period the year-over-year U.S. inflation rate decreased 0.5 percentage points from 3.7% to 3.2%.

After running higher than the nation as a whole since August 2021, the Phoenix metro area now (for the second period in a row) has a lower inflation rate than the U.S. Further, officially measured price inflation in the Phoenix metro area continue to be driven by the lagging measure of Shelter costs – excluding Shelter, year-over-year CPI inflation was just 0.7% (well below 2.0%). Shelter costs – the price of rent and owners’ equivalent rent – rose 6.3% over the past year.

Measurement lag in owners’ equivalent rent, specifically, means these reported price increases in CPI are occurring even as more real-time measures of rent in the Phoenix metro market are reporting declines.

Prices in Metro Phoenix increased **+0.28%** (month-over-month) and **+2.9%** over the last 12 months (October '22 through October '23) - (BLS CPI Survey)

- Since the end of 2020, the typical Arizona household would have had to spend a combined \$26,327 more on food, housing, transportation, medical care, and other goods and services to buy the same stuff as they were buying three years ago.
- **Because of inflation, today it costs the typical Arizona family over \$4,600/year more to purchase the same goods and services as it would have cost in October 2022.** Even if the rate of inflation slows, it would take a sustained period of *deflation* to restore historical price levels.

Price Increases Since 2020



+\$559

2-Bedroom Monthly Rent

Increase in rent since October 2020
(38.5%)



+\$27.05

Tank Of Gas

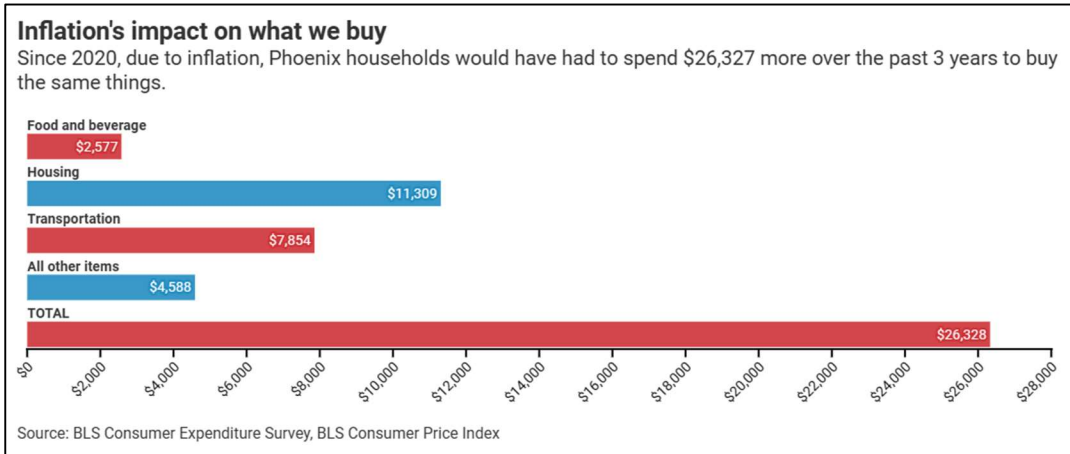
Increase in price to fill a car since
October 2020 (+100.7%)



+\$16.72

Dinner Out For 4

A \$20 meal in 2020 would cost
\$24.18 today (+20.9%)



- Inflation in metro Phoenix over the past 12 months (2.9%) is again lower than the national average (3.2%).
- While prices are still rising on a year-over-year basis, the cost of food in the Phoenix metro market fell in October – the first month-over-month decline in these prices since April.
- Inflation excluding more volatile food and energy prices (so-called “core inflation”) is higher than overall CPI inflation at 3.2% in the Phoenix area (again reflecting the disproportionate impact of Shelter costs on the Index).
- **Of the 23 urban consumer price indices tracked by the BLS in October, the Phoenix metro area had 8th lowest rate of measured inflation (year-over-year)** – a steep drop from 2nd highest in April, and again highlighting the volatility local gas and food prices have had on the headline measure.
- On a month-over-month basis, October prices in the Phoenix area rose at the 9th fastest rate in the country (up from 10th highest in August).
- Slowing inflation means that real incomes in Arizona are finally rising again – over the past 12 months, average hourly wages have risen 3.7%, while prices have increased only 2.9%. However, keeping in mind longer-term rising prices, **real wages in Arizona have fallen 9.9% since peaking in April 2020.**

