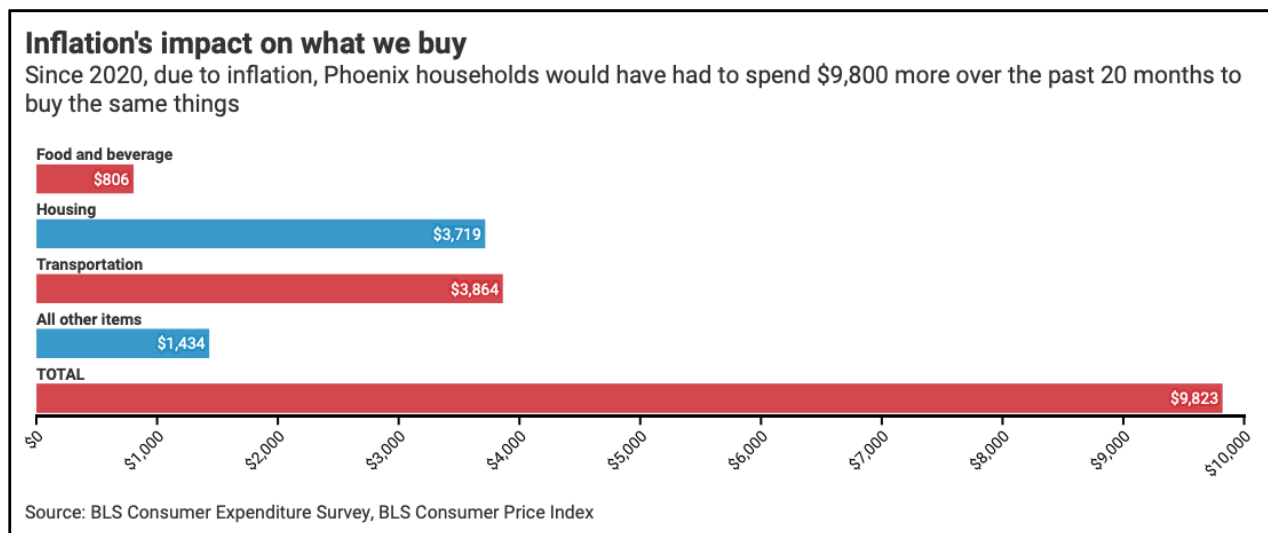


Inflation in Arizona: September 2022 Update

Consumer prices in the United States continued their record ascent in August, rising 8.7% over the last 12 months and 0.1% over July. More distressingly, core inflation sharply accelerated to 0.6% (from 0.3% in July). At 13.0%, year-over-year price inflation in the Phoenix metropolitan area remains both well above the national average and at the highest levels ever recorded for the city. Since the end of 2020 prices in Phoenix have risen a combined 19.4% - more than anywhere else measured by the BLS. Local prices have been rising at an average rate of more than 1% per month for ten consecutive months. In a bit of good news for Arizona, month-over-month inflation here slowed to 0.4% (in August) from 1.6% (in June).

Inflation in Metro Phoenix was 0.8% between June and August and 13.0% over the Last 12 Months – August '21 through August '22 - (BLS CPI Survey)

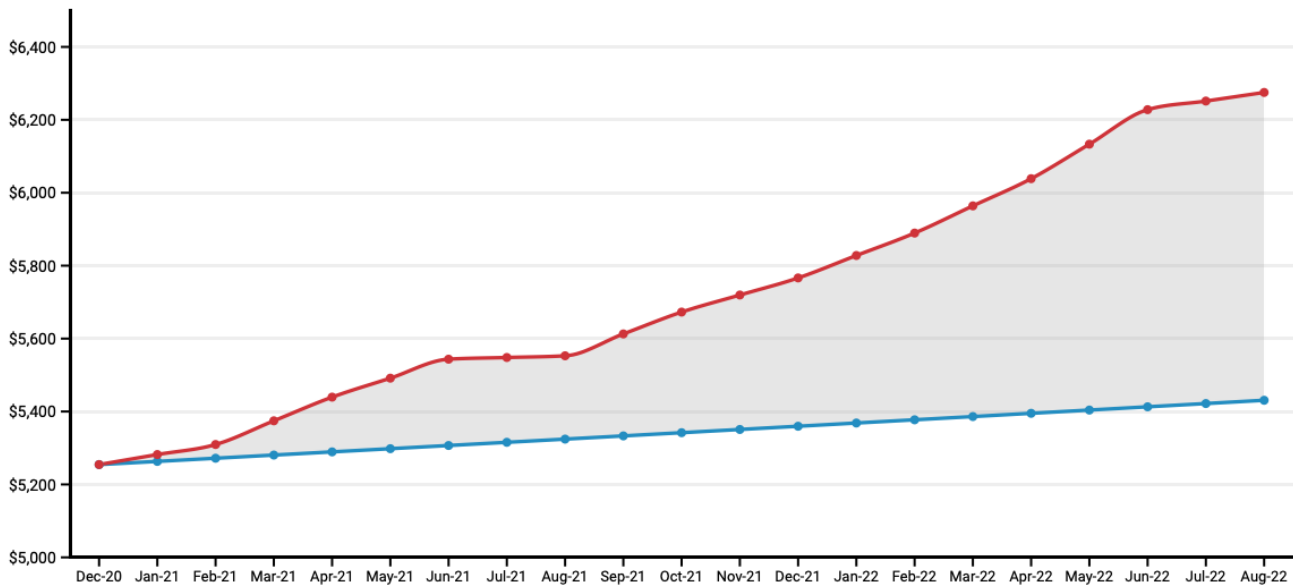


- The typical Arizona household has spent a combined \$9,823 more on food, housing, transportation, medical care, and other goods and services since the end of 2020.ⁱ The cost of food, housing, and gasoline accounts for nearly 60% of this.ⁱⁱ
- Inflation in metro Phoenix over the past 12 months was 4.3 points higher than the national average of 8.7%.
- Inflation remains high since spiking in the first quarter of 2021. After appearing to soften in July, inflation again accelerated in August – particularly core inflation, which is driven by shelter costs. It appears increasingly unlikely that national inflation can be brought under control without significant economic contraction, particularly when fiscal policy (Federal borrowing and spending) continues to fight monetary policy. Ongoing new spending makes the job of the Federal Reserve more difficult.

Monthly household spending since 2020 after inflation

As of August, the average Phoenix area household is spending \$844/month more than they would have at a 2% inflation rate

■ Monthly spending at 2% annual inflation ■ Monthly spending with actual price increases



- Of the 23 urban consumer price indices tracked by the BLS, the Phoenix metro area had the tenth-highest rate of inflation in August – a marked improvement relative to recent trends, though on a year-over-year basis we still had the highest rate of recorded inflation in the country.
- If prices in Phoenix and San Francisco continued rising at their respective current rates, the cost of living here would be higher than in San Francisco by 2032.ⁱⁱⁱ
- Rents and the cost of housing in the Phoenix metro area grew by 17.1% over the past 12 months – 2.2 times the rate for the United States as a whole, according to the Bureau of Labor Statistics.^{iv}
- At current rates, inflation adds \$24 in costs to Phoenix-area households every month.
- US core inflation sped up again in August, to 0.6% month over month. High inflation rates are likely to persist for many more months, and due to compounding the economic damage will only accelerate.

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ⁱ This figure corresponds to the data in the first graph. These are generated by distributing the consumer expenditure estimates from <https://www.bls.gov/cex/tables/geographic/mean/cu-msa-west-2-year-average-2020.pdf> across the individual months of 2020 and weighting them according to their corresponding CPI levels. We then assume that any price changes since January 2021 have resulted in increased costs relative to this average 2020 price level.

ⁱⁱ https://www.bls.gov/regions/west/news-release/consumerpriceindex_phoenix.htm.

ⁱⁱⁱ According to nerdwallet.com, the cost of living in San Francisco is roughly double Phoenix currently. Assuming the current 13% and 6% inflation rates for Phoenix and San Francisco, respectively, persisted for 10 years, that gap would close and reverse.

^{iv} For more on housing and what this means for the cost of living here, see our regular [Housing Affordability Update](#) reports. Our latest update was released on August 30.