



January 2025

# Inflation in Arizona

## December 2024 Update

**Author:** Kamryn Brunner

# Introduction

Inflation as measured by the Consumer Price Index (CPI) for the Phoenix metro area rose 1.62% year-over-year in December, an increase from 1.56% in October. This latest reading represents the 4th consecutive month of local inflation below the standard target of 2.0% annually. Nationally, the rate of price increases has been gradually rising since August 2024 (now +2.9% year-over-year).

Between October and December, the CPI for the Phoenix area decreased -0.8%, or an annualized rate of -5.0% (local inflation numbers are published every two months); the U.S. figure decreased at 0.02% over the same two-month span. National figures showed the inflation rate increasing from 2.7% year-over-year in November to 2.9% in December.

In Phoenix, Shelter inflation decreased -1.0% in the two-month period between October and December - an annualized rate of -5.8% (down from -2.7% in October). Year-over-year, shelter costs in the Phoenix MSA rose 2.1%. The price index for all items less shelter costs declined -0.8% since October. Although shelter costs have been a driver of Phoenix's high inflation since 2020, more recently the impact of shelter costs on overall inflation has turned negative.

Between December 2019 and December 2024, the price level in Phoenix rose 26.05%.

Prices in Metro Phoenix decreased -0.4% (month-over-month) and increased +1.6% over the year (December '23 through December '24) - (BLS CPI Survey)

- **Year-over-year inflation has been slowing all throughout 2024, and has been below the target rate of 2% since September 2020.** December is the 4<sup>th</sup> consecutive month of inflation below 2.0%.
- Since the end of 2020, the typical Arizona household would have had to spend a cumulative \$45,204 more on food, housing, transportation, and other goods and services to buy the same stuff as they were buying three years ago.
- **Had inflation instead run at 2%/year over the past four years, it would cost the typical Arizona family over \$10,474/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 rapidly restore historical price levels.

## Price Increases Since 2020



**+\$365**

### 2-Bedroom Monthly Rent

Increase in rent since October 2020 (25.1%)



**+\$10.82**

### Tank Of Gas

Increase in price to fill a car since October 2020 (+40%)



**+\$18.96**

### Dinner Out For 4

A \$20 meal in 2020 would cost \$24.64 today (+23.2%)



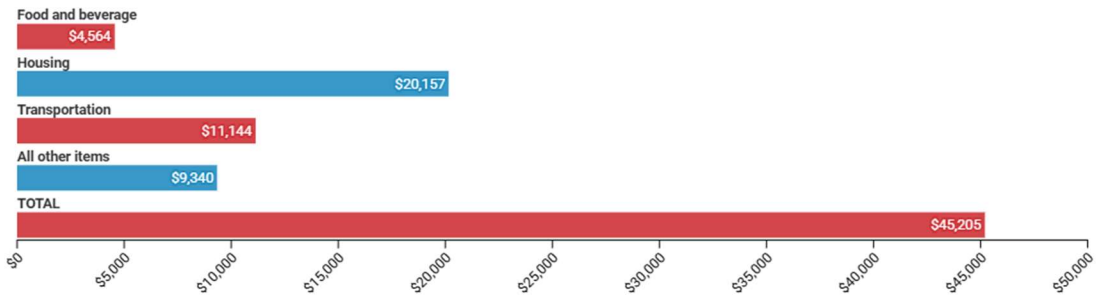
**+\$309**

### Groceries

A month of groceries for a family of 4 in October 2020 costs \$983 today (+46%)

### Inflation's impact on what we buy

Since 2020, due to inflation, Phoenix households would have had to spend \$45,204 more over the past 4 years to buy the same things.

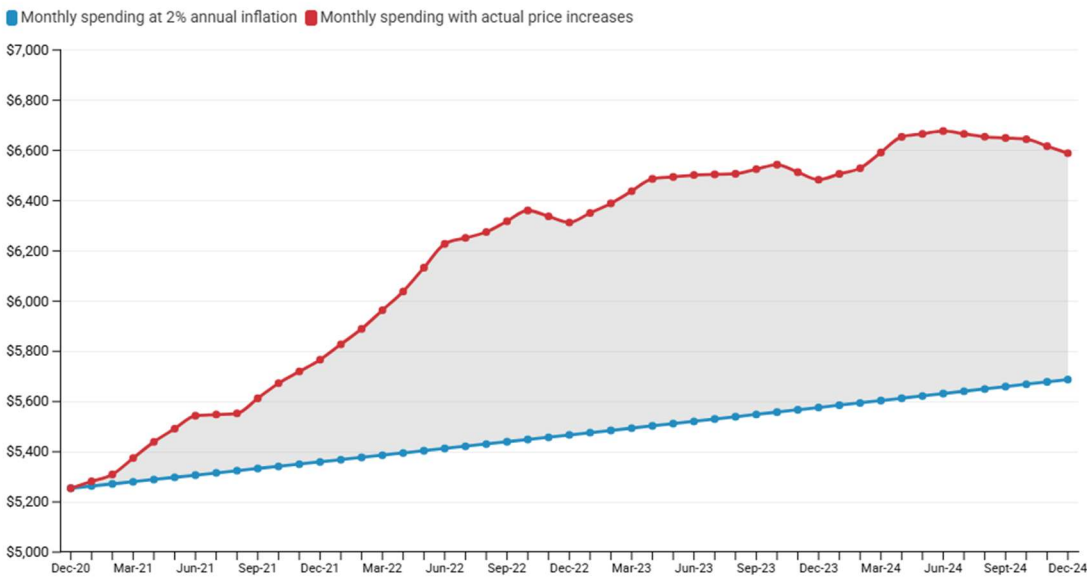


Source: BLS Consumer Expenditure Survey, BLS Consumer Price Index

- Inflation in metro Phoenix over the past 12 months (1.6%) remained lower than the national average (2.9%).
- **Of the 23 urban consumer price indices tracked by the BLS, the Phoenix metro area once again had the 4<sup>th</sup> lowest rate of measured inflation over the past year (backwards-looking) and the 2<sup>nd</sup> lowest month-over-month (real-time).**
- At its current rate, it would take 27 months to restore the local price level to its pre-2020 trend.
- Real incomes in Arizona are again rising; while inflation rose 1.6% incomes only rose 5.5% over the past year. **Keeping in mind longer-term rising prices real wages in Arizona have fallen 6.6% since peaking in April 2020.**

### Monthly household spending since 2020 after inflation

As of December 2024, the average Phoenix area household was spending \$901 month more than they would have at a 2% inflation rate



Source: BLS Consumer Price Index, CSI Calculations • Assumes consumption choices are fixed relative to their 2020 baseline.