September 2026

Inflation in Arizona

August 2026 Update

Author: Fernando Dollero & Zachary Milne

Introduction

The Consumer Price Index (CPI) for the Phoenix MSA rose 2.5% year-over-year (YOY) in August – down from the recent 3.0% peak in April and 2.8% reading in June. The energy category of the CPI rose 19.1% YOY in August – an increase from June's reading of 14.1%.

Nationally, CPI growth increased slightly from 3.3% YOY in July to 3.4%, thanks in part to accelerating inflation within the energy category. Nationally, energy prices increased 16.0% over the last 12 months, up from 14.4% in July.

Inflation Over Time

Since August 2019
AZ: +33.4%
US: +30.5%

Since August 2025
AZ: +2.5%
US: +3.4%

- Energy continues to drive the headline CPI figures. For the Phoenix metro, the YOY increase for all items less energy reached its lowest reading (1.3% YOY) since December of 2020 – down from June's reading of 2.0%. Nationally, inflation less energy fell from 2.6% in June to 2.5% in August.

- Since August 2019, prices in the Phoenix metro area have increased 33.%. The resulting total increase in average monthly costs for a typical Arizona household is now $1,692 higher compared to 2019. Nationally, consumer prices are up 30.5% since June 2019. In a typical 7-year period, cumulative inflation should run closer to 15%.

- However, in more recent years inflation in the Phoenix metro has tracked below the 2% annual benchmark. Since August of 2024, the Phoenix metro has seen cumulative inflation of 3.9% – slightly below the roughly 4.0% that would be expected if inflation had maintained a steady 2.0% growth per year over that time. Removing the recent spike in energy prices brings the cumulative inflation down to 3% over that same period.

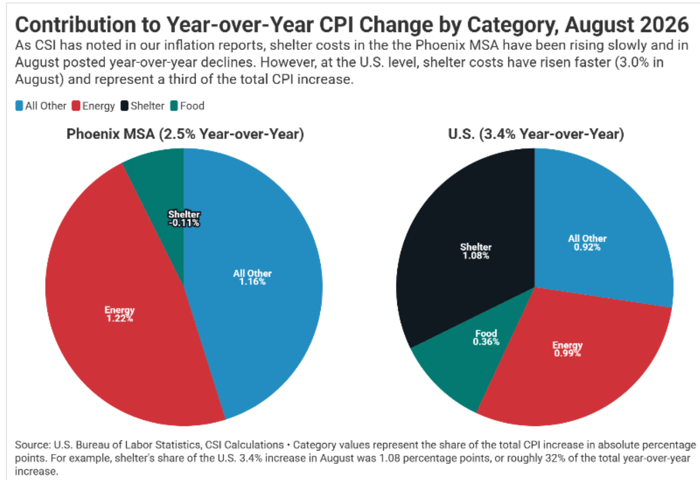
- **Among the 23 metro areas measured in the CPI each month[1], the Phoenix metro saw the 5th *slowest* YOY inflation rate.** For the 14 regions that posted CPI figures in August, the Phoenix metro posted the 4th slowest YOY inflation.

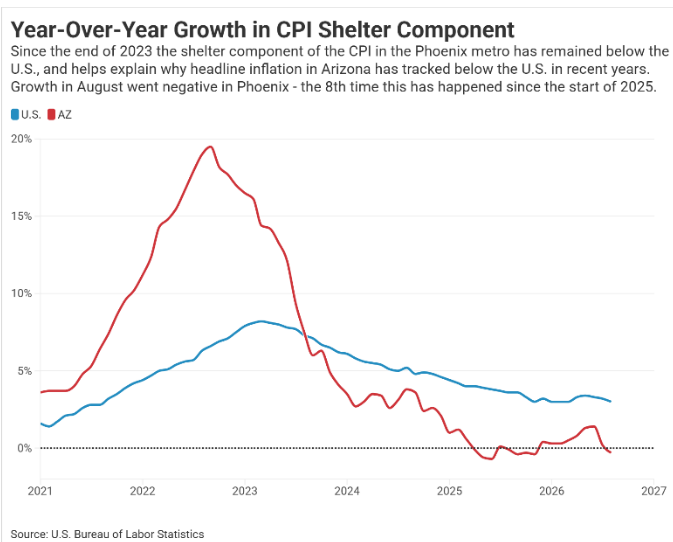
- Relative to other regions measured by the Bureau of Labor statistics, the Phoenix metro continues to exhibit some of the slowest growth in the headline CPI figure, thanks to slow growth in the shelter category (-0.3% vs. +3.0% nationally). However, this gap has narrowed over the past six months as housing markets outside of the Phoenix area continue to cool as well.

[1] All metros are measured on a bimonthly basis. Inflation readings for 9 of the 23 metros reflect data from July.

Inflation Drivers

Energy costs — particularly oil and related fuels — have been at the center of the inflation discussion since March, when the conflict in the Middle East disrupted oil supplies flowing through the Strait of Hormuz. That disruption reversed five straight months of declining headline inflation readings, driving sharp jumps instead. In the Phoenix Metro, inflation rose 1.3 percentage points between February and April alone, almost entirely due to a jump in the energy category. As of the latest data for August, YOY increases in the energy category account for nearly a third of the headline increase in the Consumer Price Index (CPI) nationally, and nearly half of it in the Phoenix Metro.





Energy's outsized share of the increase in Phoenix, however, is exaggerated by declines in shelter-related costs in the region. CSI has documented in prior reports that shelter costs in the Phoenix Metro have risen much more slowly than at the national level, and as of August, this category actually fell 0.11%. Nationally, by contrast, shelter costs rose more than 3.0% YOY and contributed more to August's overall CPI increase than energy did.

Moving forward, high fuel costs from the Middle East conflict will likely continue driving headline inflation. Should the conflict resolve and oil transit through the region return to pre-conflict levels, however, CSI expects inflation to ease closer to the 2.0% benchmark in both the U.S. and Phoenix, with Phoenix continuing to track below the national rate due to ongoing moderation in the shelter category.