July 2026

Inflation in Arizona

June 2025 Update

Author: Zachary Milne & Andrew Smith

Introduction

The Consumer Price Index (CPI) for the Phoenix metro area continues to post slower growth relative to the rest of the nation. The CPI for the Phoenix MSA rose 2.8% year-over-year (YOY) in June – down from the 3.0% reading in April as energy prices plummeted. The energy category of the CPI fell 6.4% in June alone, after fallout from the conflict with Iran temporarily cooled.

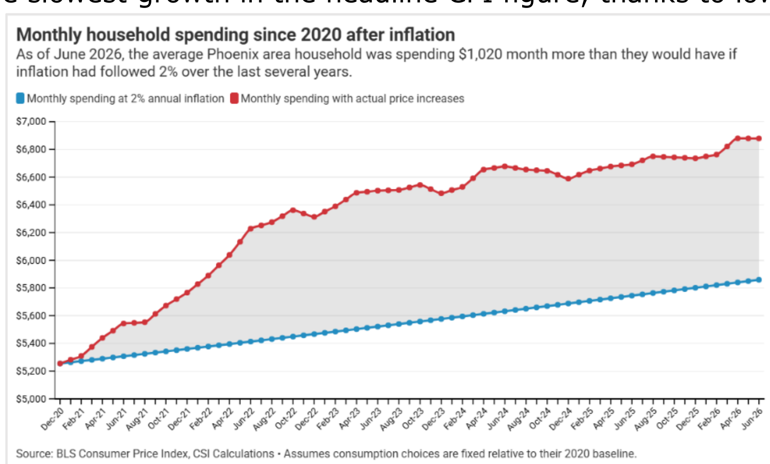
Nationally, growth decelerated from 3.8% YOY in April to 3.5% in June, again due to a significant slowdown in the energy category (-5.7% month-over-month)

Inflation Over Time

Since June 2019
AZ: +33.4%
US: +30.3%

Since June 2025
AZ: +2.8%
US: +3.5%

- Energy continues to drive the headline CPI figures. For the Phoenix metro, the YOY increase for all items less energy was 2.0% – up from April's reading of 1.7%. Nationally, inflation less energy fell from 2.8% in April to 2.6% in June.
- Since June 2019, prices in the Phoenix metro area have increased 33.4%. The resulting total increase in average monthly costs for a typical Arizona household is now $1,673 compared to 2019. Nationally, consumer prices are up 30.3% 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 June of 2024, the Phoenix metro has seen cumulative inflation of 3.0% – below the roughly 4.0% that would be expected if inflation had maintained a steady 2.0% growth per year over that time.
- **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 April, 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 low growth in the shelter category (+1.4% vs. +3.3% nationally). However, this gap has narrowed over the past six months as housing markets outside of the Phoenix area begin to cool as well.

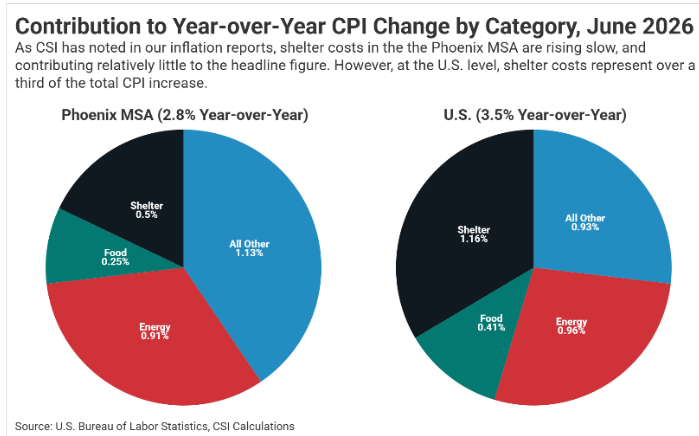


Monthly household spending since 2020 after inflation
As of June 2026, the average Phoenix area household was spending $1,020 month more than they would have if inflation had followed 2% over the last several years.
Source: BLS Consumer Price Index, CSI Calculations • Assumes consumption choices are fixed relative to their 2020 baseline.

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

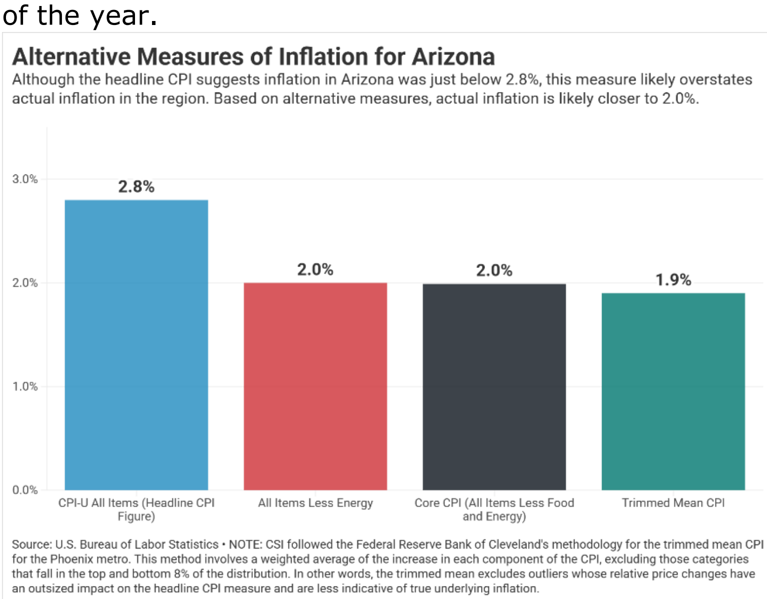
The CPI vs. Inflation

While the YOY change in the CPI is conventionally treated as the rate of inflation, it is worth distinguishing between the two. Inflation, strictly defined, is a sustained increase in the *general* price level – not a rise in relative prices. The CPI is simply a measurement tool, and an imperfect one at that; it is a weighted average of *relative* price increases, and thus is susceptible to large swings in the relative price of a single good or service (like energy), which can then have an outsized effect on measured CPI growth without being informative as to the true underlying rate of inflation.



Over the past two years, home prices in Arizona have generally cooled down while national home prices continue their steady climb. Shelter, therefore, has become a relatively small contributor to CPI growth in Arizona while remaining a significant driver at the national level, and partly explains the difference in the two headline figures (2.8% vs 3.5%). When shelter costs are removed, CPI growth becomes virtually identical across the two regions.

Furthermore, volatile energy prices – fallout from the conflict with Iran – have been a significant driver of CPI readings in recent months. Energy prices in the Phoenix Metro increased 26.5% between February and May, which explains most of the rise from the 1.7% year-over-year headline CPI change in February to April's reading of 3.0%. Though energy prices fell significantly through June, reducing the headline rate to 2.8% in the Phoenix Metro, the overall price level for energy remains high (+14.1% YOY) and explains why the current CPI readings for both the U.S. and Arizona are much higher than where they were at the beginning of the year.



Energy's outsized impact is a reminder that CPI growth and inflation are not synonymous, and given the volatility in the energy sector, actual inflation for both Arizona and the U.S. are likely below the YOY change in the headline figures. Considering alternative measures of inflation which attempt to exclude volatility in individual categories, inflation in Arizona is likely closer to 2.0% rather than 2.8%.