



March 2026

Inflation in Arizona

February 2025 Update

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Introduction

Inflation as measured by the Consumer Price Index (CPI) for the Phoenix metro area rose 1.8% year-over-year in February, a decline from 2.2% in December – the last time the CPI was released for the Phoenix Metro. Inflation in Phoenix has been trending upwards towards more historically normal rates (~2%) for several periods now, but with the exception of December, February’s reading marks a full year of year-over-year (YOY) inflation rates *below* the target 2% benchmark.

Nationally, inflation fell slightly in January to 2.4% from 2.7% in December. It remained there in February.

- Since February 2019, inflation in the Phoenix metro area has increased 34.2%. The resulting total increase in average monthly costs for a typical Arizona household is now \$1,563.
- Nationally, consumer prices are up 29.3% since December 2019. In a typical 7-year period, cumulative inflation should run closer 14.9%.
- **Among the 23 metro areas measured in the CPI each month¹, the Phoenix metro saw the 6th slowest YOY inflation rate.** This continues our recent dramatic change from 2022-2023, when the region consistently ranked among the highest.
- Shelter costs continue to heavily influence inflation both in the U.S. and within the Phoenix Metro, with this category boosting the headline rate at the national level and depressing the headline rate in Phoenix. Shelter prices in Phoenix increased only 0.3% year-over-year in February while the CPI for all items less shelter increased +2.5%. Nationally, shelter prices rose 3.0% in February but all items less shelter rose 2.2%.

Inflation Over Time



Since December 2019

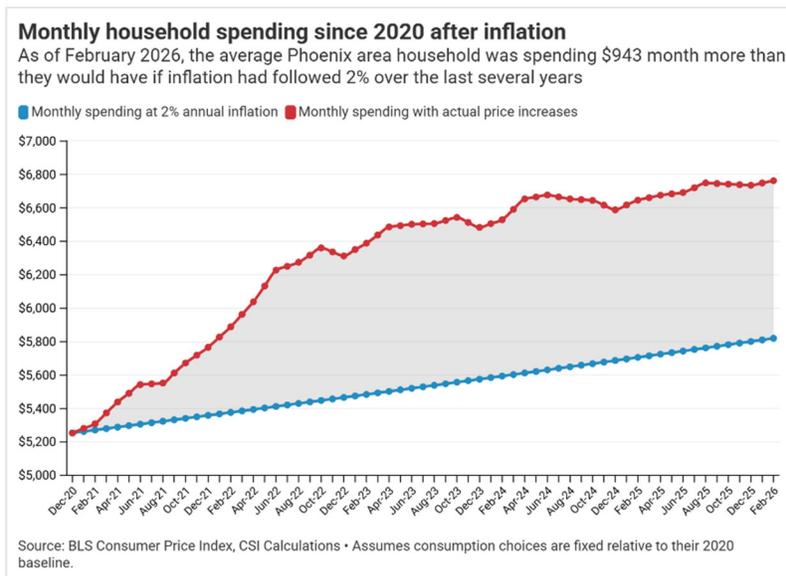
AZ: +34.2%

US: +29.3%

Since February 2025

AZ: +1.8%

US: +2.4%



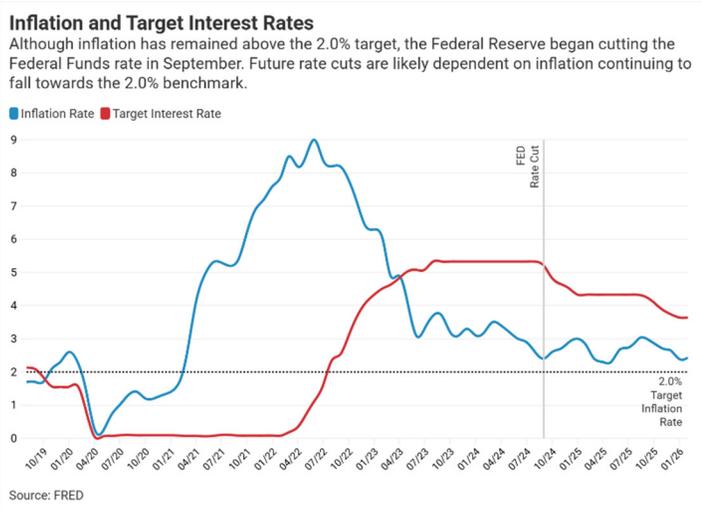
¹ All metros are measured on a bimonthly basis. Inflation readings for 9 of the 23 metros reflect data from January.

Inflation and Federal Policy

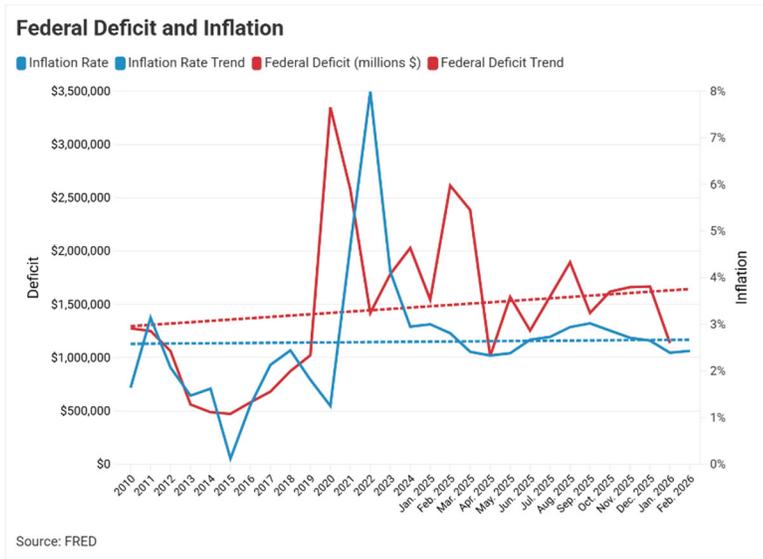
Although February marks a return to sub 2.0% inflation in Phoenix area, nationally prices have not grown slower than 2.3% (April 2025) since 2021.

Despite this, in September 2024 the Federal Reserve initiated its first of three cuts to target interest rates. Not coincidentally, national inflation began growing again immediately thereafter.

Since 2010, the rate of national inflation has followed trends in the federal deficit with a 12-24 month lag. Local inflation rates – like in Phoenix – are then subject to their own regional dynamics but move about the national rate. Today, the size of the national debt and persistent deficits make it more difficult for monetary policy – changes in target interest rates – alone to control inflation.



Permanently restoring inflation to its long-term trend and at or below its 2.0% target will require taming the large and persistent federal deficits along with sound monetary policy. For context, the average annual federal deficit between 2020 and 2024 was \$2.2 trillion; since 2020 inflation has averaged 3.9%. As of the most recent data, the annualized federal deficit for this calendar year is \$1.1 trillion, with the U.S. posting a budget deficit in in January.



As we have pointed out in our employment reports, recent job growth in the U.S. – the second piece of the Federal Reserve’s dual mandate – has been sluggish and in decline, most recently posting a loss of 92,000 jobs in February 2026. On the other hand, productivity and GDP growth have been strong.

Although the Federal Reserve was likely premature in its shift to a more accommodative monetary policy last year based on conditions at that time, current employment dynamics may warrant future rate cuts should current trends continue.