



May 2026

Inflation in Arizona

April 2025 Update

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Introduction

The Consumer Price Index (CPI) for the Phoenix metro area rose 3.0% year-over-year (YOY) in April due to rapidly rising energy prices (+22.9% YOY) as fallout from the conflict with Iran reaches official government price data. This marks a sharp increase from February’s reading of 1.7%. Notably though, even prior to April the CPI for the Phoenix-Mesa-Scottsdale area had already been climbing after over a year of rates at or below 2%.

Nationally, growth accelerated from 2.4% YOY in February to 3.8% in April, again due to a large jump in the energy category (+17.5%).

Inflation Over Time



Since April 2019

AZ: +34.6%

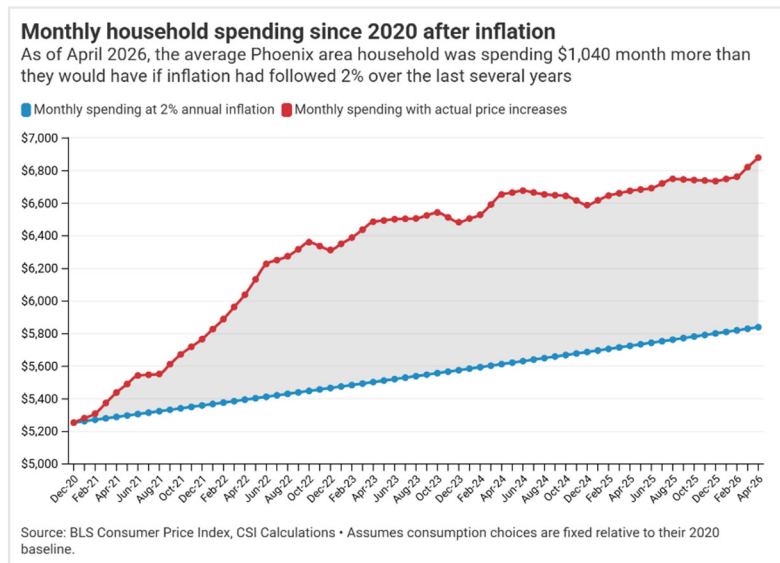
US: +30.2%

Since April 2025

AZ: +3.0%

US: +3.8%

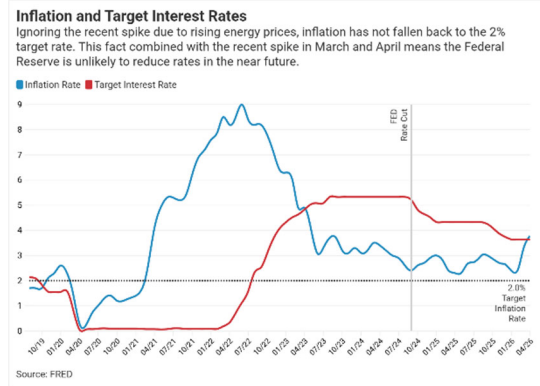
- Energy was the primary driver of April’s high inflation reading. For the Phoenix metro, the YOY increase for all items less energy was 1.7% - down from February’s reading of 1.9%. Nationally, inflation less energy increased from 2.6% in February to 2.8% in April.
- Since April 2019, prices in the Phoenix metro area have increased 34.6%. The resulting total increase in average monthly costs for a typical Arizona household is now \$1,647. Nationally, consumer prices are up 30.2% since April 2019. In a typical 7-year period, cumulative inflation should run closer to 14.9%.
- However, in more recent years inflation in the Phoenix metro has tracked below 2% annual benchmark. Since April of 2024, the Phoenix metro has seen cumulative inflation of 3.4% - 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 month¹, the Phoenix metro saw the 8th slowest YOY inflation rate.** For the 14 regions that posted CPI figures in April, the Phoenix metro posted the 2nd slowest YOY inflation.
- Relative to the U.S. and other regions measured by the Bureau of Labor statistics, the Phoenix metro continues to exhibit some of the slowest inflation rates thanks to low inflation in the shelter category (+0.8% vs. +3.3% nationally).



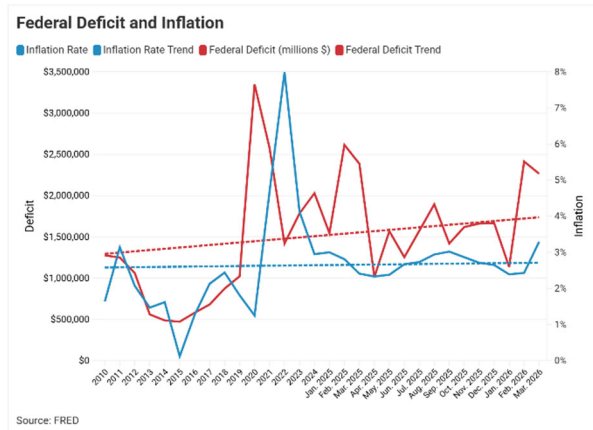
¹ All metros are measured on a bimonthly basis. Inflation readings for 9 of the 23 metros reflect data from March.

The CPI vs. Actual 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 captures a fixed basket of goods that may not reflect actual consumption patterns and the monthly data is sensitive to outsized moves (up or down) in volatile components.



The recent headline figure of 3.8% is a case in point – the spike is almost exclusively attributable to the energy component, which reflects a sharp spike in relative energy prices rather than broad-based inflationary pressure across the economy. These may or may not ultimately lead to general increases in the price level, but one month of data alone is not conclusive. Isolating this effect, actual inflation is likely to be meaningfully below the headline number, and interpreting the 3.8% figure as the true rate of inflation would overstate the degree to which the general price level is rising.



However, even if the 3.8% figure at the national level overstates true inflation, prices have still not grown slower than 2.3% (April 2025) since 2021. This is the notable point – the United States generally has seen sustained inflation above 2% for nearly half a decade, and this issue is structural – not transitory (e.g., as the Middle East conflict is likely to be).

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 above 3.0%. As of the most recent data, the annualized federal deficit for this calendar year (January through March) is \$2.2 trillion – on par with the high federal deficits of the last several years, but notably a 5.0% *reduction* from this period in 2025.

Ignoring the recent spike due to rising energy prices, inflation has not fallen back to the 2% target rate. This fact combined with the recent spike in March and April means the Federal Reserve is unlikely to reduce rates in the near future.