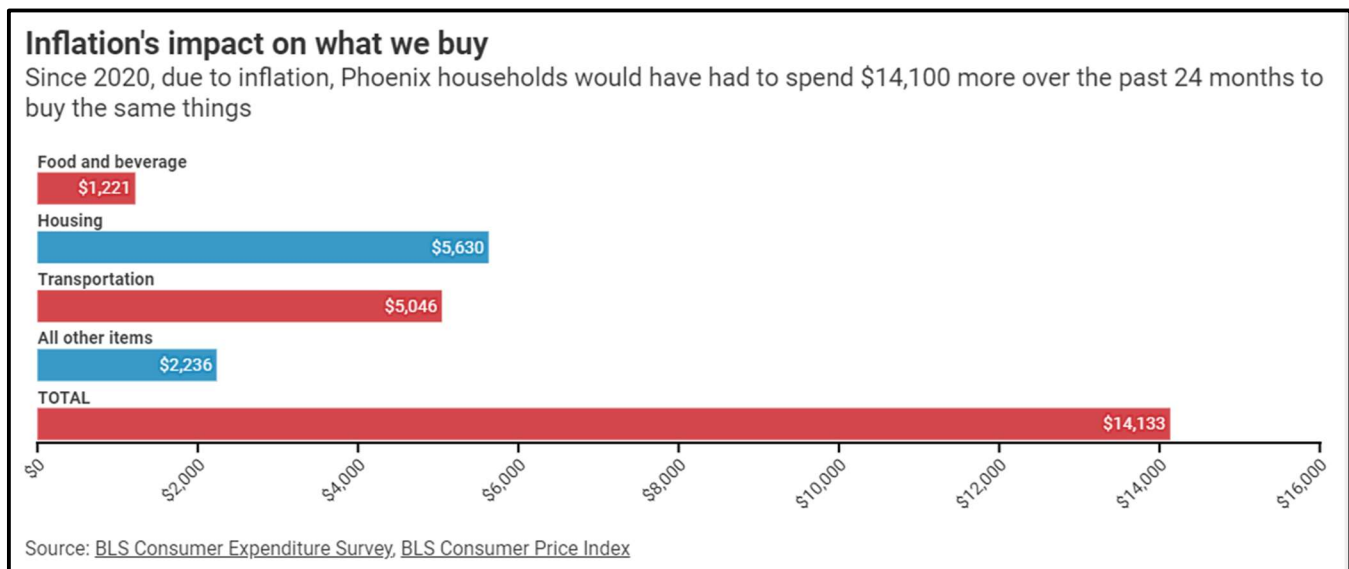


## Inflation in Arizona: January 2023 Update

On a month-over-month basis, Consumer Price Index (CPI) inflation in the Phoenix metropolitan area and United States turned negative in December – the first time consumer prices declined in the Phoenix market since 2020. At 9.5%, year-over-year price inflation in the Phoenix metropolitan area last month was 2.6 percentage points below its October reading of 12.1%. While this data appears to confirm that both national and local prices generally have peaked and are now falling, the declines are concentrated in a handful of areas (namely, *goods* like cars and gas). Shelter inflation (+17.0% year-over-year) remains elevated in the Phoenix area and is likely to continue putting upward pressure on official measures of local prices as CPI surveys of rent catch up with actual market rates. *Services* inflation accelerated nationally and remains high (+12.3% year-over-year) locally.

### Inflation in Metro Phoenix was **-0.7%** between October and December and **9.5%** over the Last 12 Months – December '21 through December '22 - (BLS CPI Survey)

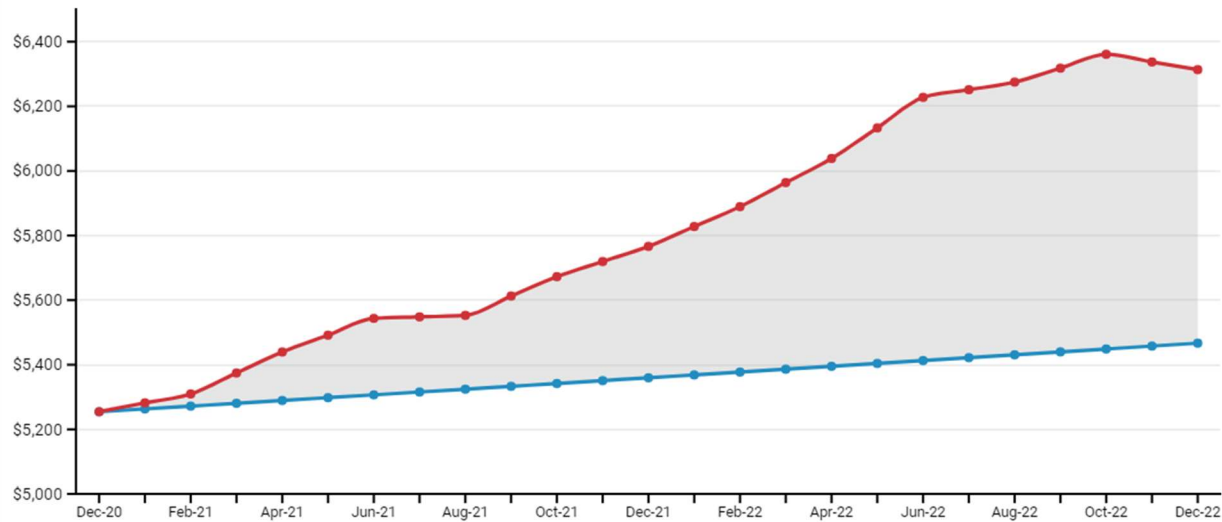


- The typical Arizona household has spent a combined \$14,133 more on food, housing, transportation, medical care, and other goods and services since the end of 2020. The cost of food, housing, and gasoline accounts for over 60% of this increase.
- Inflation in metro Phoenix over the past 12 months was 3.1 percentage points higher than the national average of 6.4%.
- Shelter tends to be a lagging measure of home and rental prices, and has continued rising in Phoenix even as the housing market itself has been cooling. These large increases (+0.7% in December, month-over-month) are keeping overall prices in the Phoenix area so high relative to the broader US.

### Monthly household spending since 2020 after inflation

As of December, the average Phoenix area household is spending \$846/month more than they would have at a 2% inflation rate

■ Monthly spending at 2% annual inflation ■ Monthly spending with actual price increases



Source: BLS Consumer Price Index, CSI Calculations

- Of the 23 urban consumer price indices tracked by the BLS, the Phoenix metro area again has the **6<sup>th</sup> slowest** rate of measured inflation – a precipitous decline from its number 1 spot two months prior.
- On a year-over-year basis, **the Phoenix area fell to 3<sup>rd</sup> fastest in the country**.
- Slowing inflation is slowly restoring normal price balance. At current relative rates, prices in Phoenix wouldn't exceed those in San Francisco until 2038 now (from 2034 in October).
- At current rates, the monthly household 'inflation tax' for the Phoenix area increased to \$847 in October. This amount is now **falling** by \$23/month, thanks to price declines since October. However, recall that 'baked in' price increases mean **prices would need to continue falling at their current rate for 52 consecutive months to return to their prior 2% trend**.