May 2025

Inflation in Arizona

April 2025 Update

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Introduction

Inflation as measured by the Consumer Price Index (CPI) for the Phoenix metro area rose 0.3% year-over-year in April, a decrease from 1.8% in February. This latest reading represents the 8th consecutive month of local inflation below the standard target of 2.0% annually.

Nationally, the rate of inflation is down since February (now +2.3% year-over-year, down from +2.8% two months ago). While this is the 50th consecutive month of national inflation above the 2.0% target, it is the lowest year-over-year U.S. consumer price inflation rate since 2021.

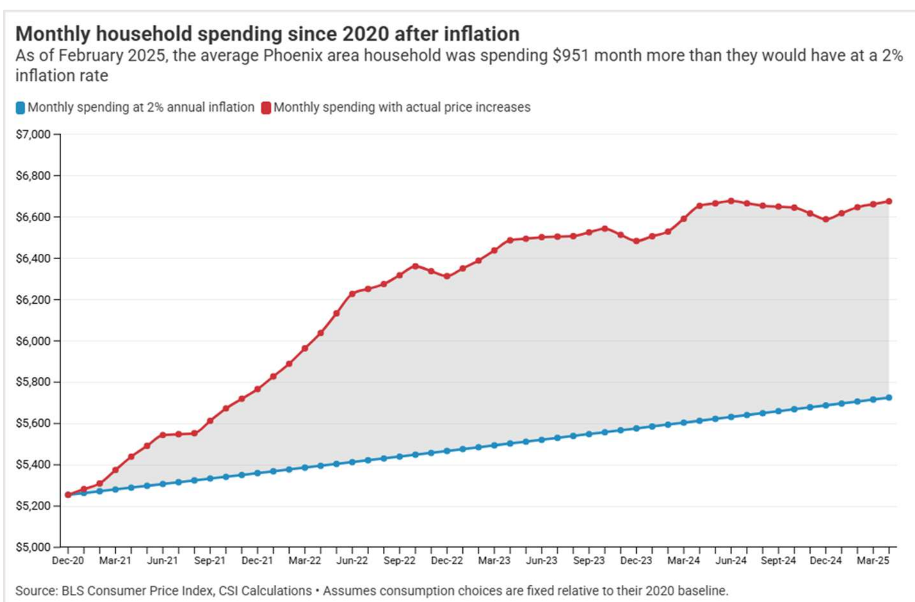
Inflation Over Time

Since April 2019
AZ: +30.7%
US: +25.5%

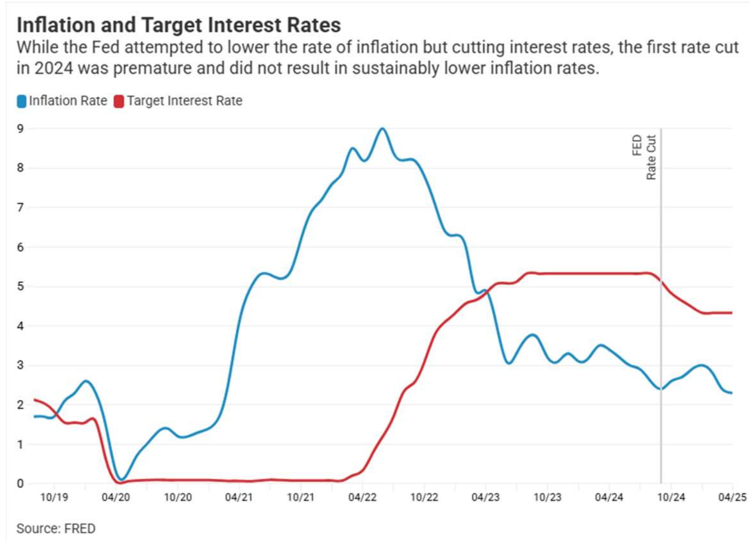
Since April 2024
AZ: +0.3%
US: +2.3%

Since Dec 2024
AZ: +1.3%
US: +0.8%

- Since April 2019, inflation in the Phoenix metro area has increased 30.7%. The resulting increase in average monthly costs for a typical Arizona household is now $1,495. Nationally, consumer prices are up 25.5% since April 2019.
- In a typical 5-year period, cumulative inflation should run closer to 10.4%.
- On a month-over-month basis, inflation in the Phoenix metro area rose +0.4% from February to April, a decrease from the +0.9% increase in the last release (from December to February). In the U.S., inflation increased 0.2% month-over-month in April – an increase of 0.3 percentage points from the -0.1% *decrease* in March.
- **Among the 23 metro areas measure in the CPI each month, Phoenix ranks 23 in year-over-year inflation (1st lowest).** This continues our recent dramatic change from 2022-2023, when the region consistently ranked among the highest**.**
- Shelter costs have long driven inflation, both in the Phoenix MSA and nationally. Shelter inflation was +0.5% in April (up from 0.0% in March), and annual shelter costs are now falling -0.1% (year-over-year).



Inflation and Federal Policy



While inflation in the Phoenix area has been below-target (2.0%) for 8 months now, nationally consumer prices have not grown slower than 2.3% (April 2025).

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. For context, since 2020 the average annual federal deficit has been $1.6 trillion; since 2022 the average inflation rate has been 4.8%. As of April 2025, the annualized federal deficit for this year is $1.01 trillion – a significant decline. Year-over-year inflation in April has also fallen (to a 2.3% annualized rate).

The Federal Reserve was premature in its shift to a more accommodative monetary policy last year. Further reductions in target interest rates and other easing should depend on both sustained decreases in the rate of consumer price inflation *and* sustained reductions in federal deficits.