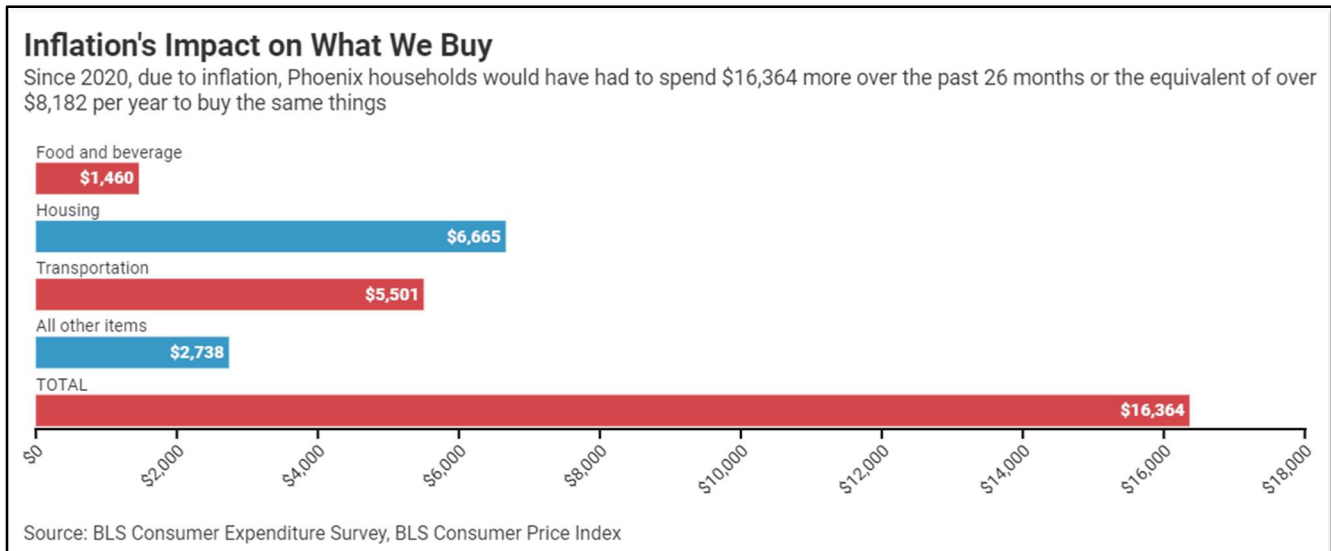


Inflation in Arizona: March 2023 Update

On a month-over-month basis, Consumer Price Index (CPI) inflation in the Phoenix metropolitan area and United States continued to rise in February after a slight decrease in December. At 8.5%, year-over-year price inflation in the Phoenix metropolitan area last month was 1.0 percentage points below its December reading of 9.5%. Prices are again rising after a brief respite in December. Much of these increases are concentrated in a handful of areas (now, shelter and services). Shelter inflation (+16.1% 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 (+11.9% year-over-year) locally.

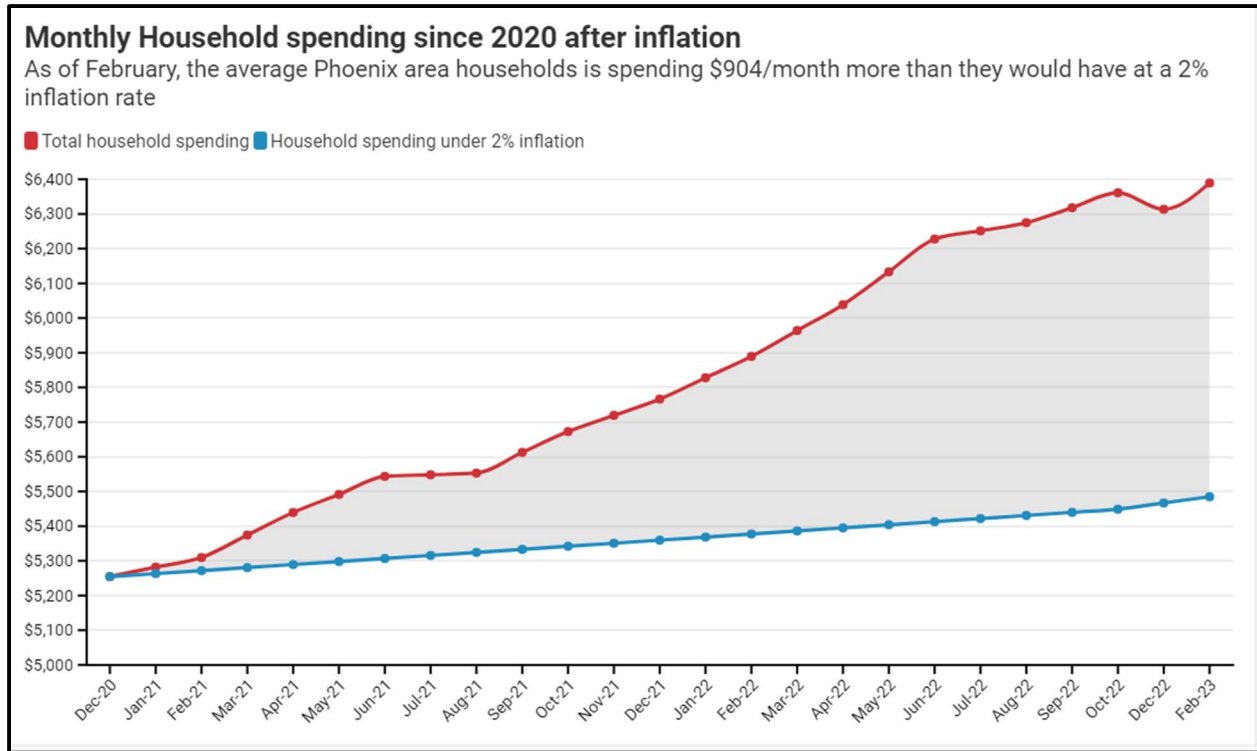
Inflation in Metro Phoenix was +0.60% between December and February and 8.5% over the Last 12 Months (February '22 through February '23) - (BLS CPI Survey)

- The typical Arizona household has spent a combined \$16,364 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 2.5 percentage points higher than the national average of 6.0%.
- 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 (+1.2% in February, month-over-month) are keeping overall prices in the Phoenix area so high relative to the broader US.



- Of the 22 urban consumer price indices tracked by the BLS in February, the Phoenix metro area had the 10th fastest rate of measured inflation (month-over-month) – a precipitous decline from its number 1 spot four months prior.
- On a year-over-year basis, the Phoenix area rose to 2nd 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 2045 now (from 2038 in December).

- At current rates, the monthly household 'inflation tax' for the Phoenix area increased to \$904 in February. This inflation rising by \$37/month, thanks to price increases since December. Recall that 'baked in' price increases mean that, for prices to return to their prior 2% trend, prices would need to fall at their December rate of \$23/month for 28 consecutive months.



- Although average hourly wages in Arizona have increased 5.4% year-over-year, inflation has increased 8.5% causing a loss in real wages of 3.1% year over year. While wages can continue to increase, inflation outpaces these increases and causes a loss in total wages as households must spend more to consume at the same level. Real wages in Arizona have fallen 4% since peaking in January 2021.

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