

## Inflation in Colorado – May 2022 Update

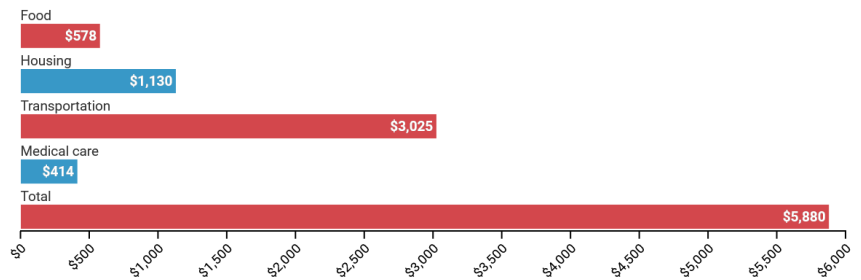
Inflation in the Denver metropolitan area continues to run hot, particularly for housing. Overall price levels increased 3.4% between January and May and 8.3% over the last 12 months. The BLS reports housing inflation of 7.2%, but home prices (not a component of CPI) have increased 23.6% YoY through March 2022. Nationally, prices increased 0.3% in April and 1% in May, the highest increase since December 1981, and 8.6% over the last 12 months. U.S. average hourly earnings rose only 5.24% in the last 12 months—61% of the increase in inflation. Wage growth is not keeping up with inflation and Coloradans’ budgets are being squeezed, causing many people to return to the labor force. The Federal Reserve has already initiated efforts to combat inflation with a 50-basis point increase last month. With YoY U.S. inflation coming in at a 40-year high of 8.6% in May, all expectations are for another 50-basis point increase next Wednesday with more to follow.

### Inflation in Metro Denver was 3.4% between January and May and 8.3% over the Last 12 Months (BLS CPI Survey)<sup>i</sup>

- The average Colorado household has spent \$5,880 more since 2020 because of inflation.<sup>ii</sup>
- Inflation in metro Denver over the past 12 months was .3 percentage points lower than the national average of 8.6%.
- Since March 2021, when the period of high inflation began, average bi-monthly inflation in metro Denver has been 260% higher than its historical average of .42%.
- Of the 23 urban consumer price indices tracked by the BLS, Denver–Aurora–Lakewood's ranks 10<sup>th</sup> in total growth since the end of 2020.

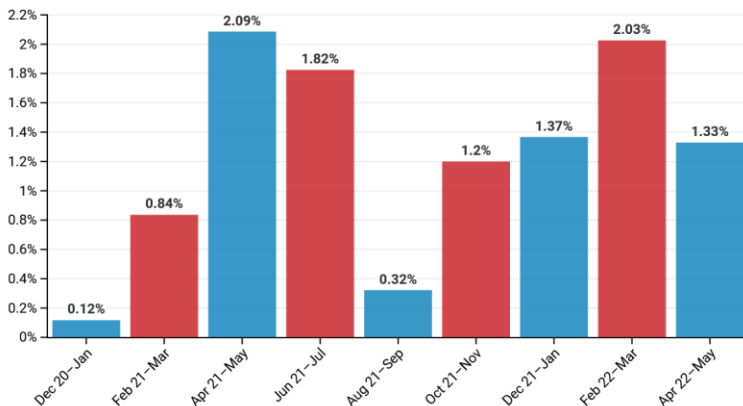
#### Inflation's Impact on What We Buy

How much more has the average household spent since 2020 because of inflation?



#### Bi-monthly Inflation in Metro Denver since January 2021

Inflation first accelerated to high rates during the spring of 2021. After briefly yielding to normal during the summer, the unusually high rates reoccurred in the fall and have persisted through the spring.

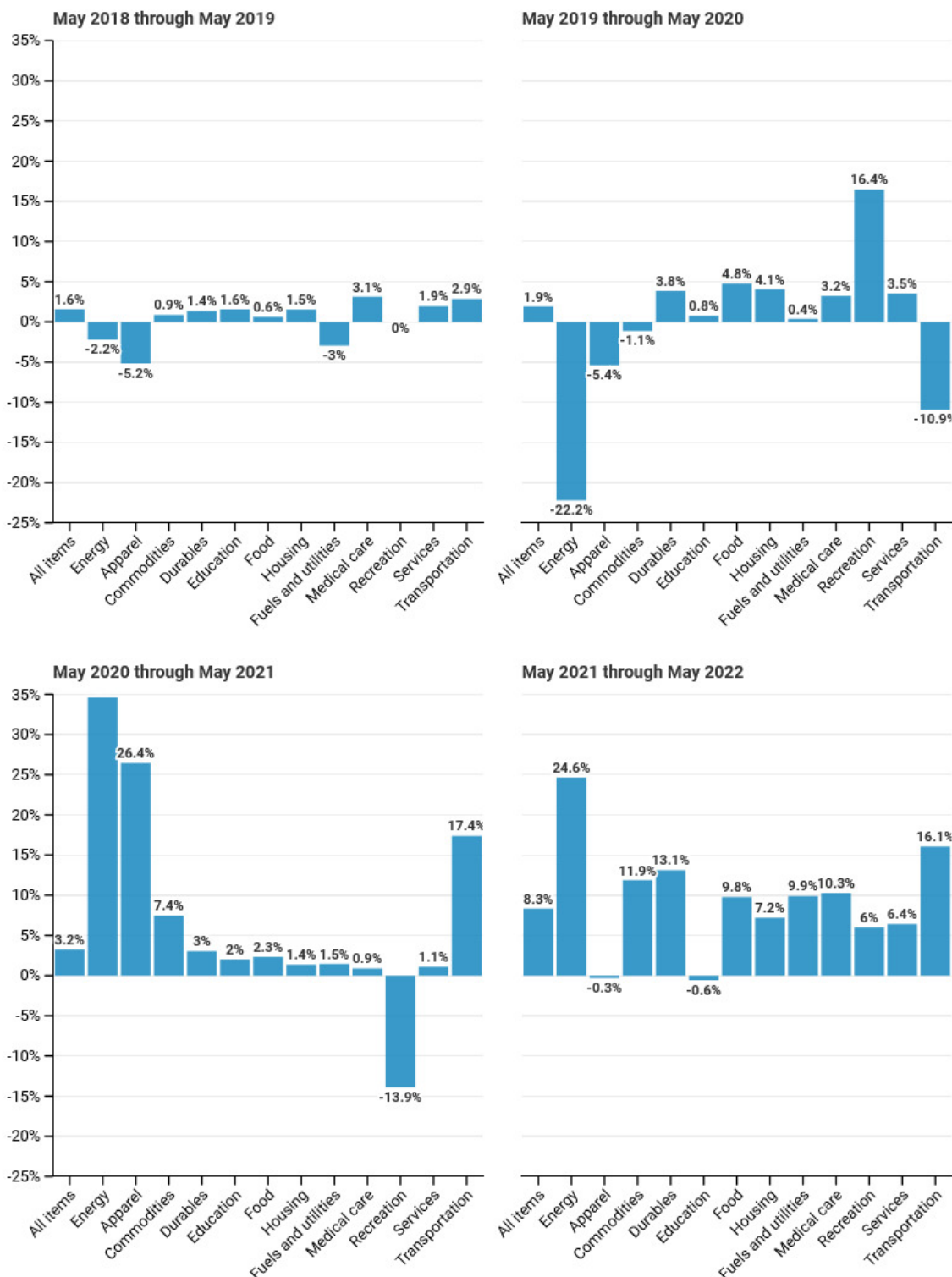


Source: BLS CPI-U Data

- Average annual inflation between 2010 and 2020 was 2.51%. Since May 2021, all categorized prices in the graphs below except for education have grown by more than that.
- The two price categories that grew the fastest over the last 12 months were energy and transportation, which grew by 24.6% and 16.1%, respectively.

## Price Changes in Metro Denver over the Previous Year

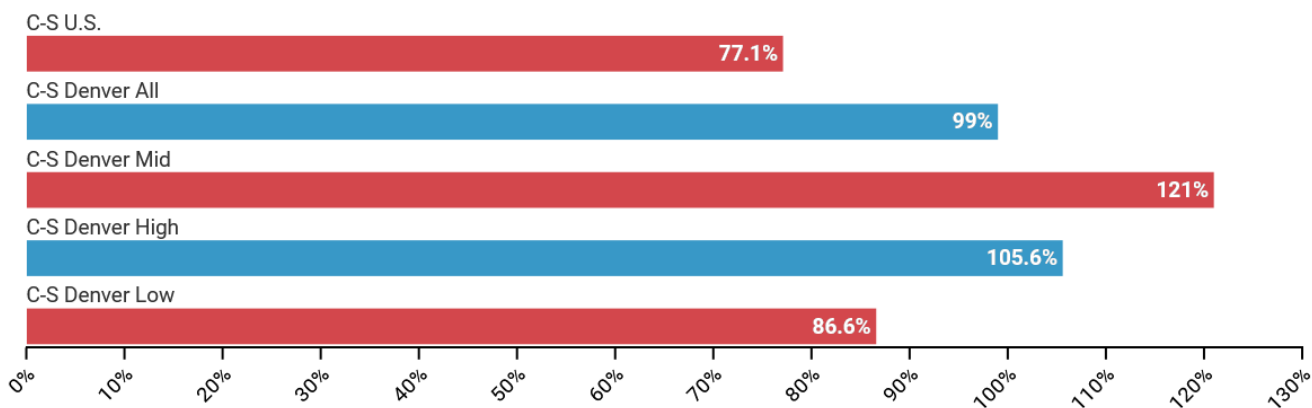
Source: BLS CPI-U Data



## Feature: The Growth in Home Prices Has Outpaced Record-high Inflation

The BLS reports inflation related to housing, but this figure tends to be misleading because the CPI views housing units as capital (or investment) goods and not as consumption items like food or gasoline. Rent paid for housing is considered consumption, and the BLS reports inflation for rents. The latest CPI figures report housing inflation as 7.2% over the past 12 months; however, for those consumers who wish to purchase a home, prices in Colorado have increased 23.6% from March 2021 to March 2022 as measured by the Case-Shiller Denver Home Price Index (the latest data available). Housing prices in the lowest, middle, and highest tiers have increased 20.6%, 22.9%, and 24.8% respectively over the same period and are all higher than the national rate of 20.6%. In the following graph we show home price inflation since January 2015.

### Home Price Inflation in Denver (January 2015–March 2022)



<sup>i</sup> <https://www.bls.gov/cpi/>

<sup>ii</sup> This figure corresponds to the data in the first graph. These are generated by distributing the consumer expenditure estimates from [https://www.bls.gov/regions/mountain-plains/news-release/consumerexpenditures\\_denver.htm](https://www.bls.gov/regions/mountain-plains/news-release/consumerexpenditures_denver.htm) across individual months, weighting them according to their corresponding CPI levels, and adjusting them according to the latter's growth history.