

Price Inflation and Cost of Living

Overview

U.S. inflation slowed in 2001 to 2.8%, compared to 3.4% in 2000, as measured by the CPI-U. The gross domestic product chain-type price deflator remained at 2.3% in 2001. Utah's cost-of-living index in selected cities remained near the national average. The second quarter 2001 composite index (national average equals 100) for cities in Utah was: Salt Lake City, 98.0; Provo-Orem¹, 94.5; Cedar City, 94.0; St. George, 95.0; and Logan, 96.3.

2001 Summary

Consumer Price Index. Due to a moderately weakening economy followed by the Sept. 11 terrorist attacks, the national rate of inflation decreased in 2001. The Consumer Price Index (CPI-U) is estimated to have decreased to 2.8% in 2001, measured on an annual average basis, compared with 3.4% in 2000, and 2.2% in 1999.

Gross Domestic Product Deflators. In 2001 the Gross Domestic Product (GDP) chain-type implicit price deflator is estimated to stabilize at 2.3%. The GDP personal consumption deflator in 2001 is expected to fall to 1.9% compared with 2.7% in 2000. Beginning in 1996, the Real Gross Domestic Product was reported using a chain-weighted inflation index. Under this method, the composition of economic output (the weighting) is updated each year.

Utah Cost of Living. The American Chamber of Commerce Researchers Association (ACCRA) Cost of Living Index is prepared quarterly and includes comparative data for approximately 270 urban areas. The index consists of price comparisons for a single point in time, and does not measure inflation or price changes over time.

The cost of consumer goods and services in the urban areas is measured and compared with a national average of 100. The composite index is based on six components: grocery items, housing, utilities, transportation, health care, and miscellaneous goods and services.

The second-quarter 2001 composite index for Salt Lake City was 98.0, slightly lower than the national average for the period. Other Utah cities, included in the second-quarter survey, were Cedar City (94.0), Logan (96.3), and St. George (95.0). While second-quarter data was not yet available for Provo-Orem, the first-quarter 2001 composite index for Provo-Orem was 94.5.

2002 Outlook

The national Consumer Price Index for Urban Consumers (CPI-U) in 2002 is forecast to increase by 1.7%, lower than the 2.8% inflation rate in 2001. This is due to a moderate slowdown of the economy.

Significant Issues

Energy Prices. Soaring global energy prices have been substantial in slowing the U.S. economy in the past few years. Those prices are slowly diminishing as the economy enters 2002.

Global energy prices fluctuated in 2001 as a result of concerns for energy shortages earlier in the year, an impending OPEC price war and the Sept. 11 terrorist attacks. World production and competition between OPEC and non-OPEC producers increased, precipitating a decrease in

crude oil prices. Future fluctuations will depend on production quota agreements of the oil-producing competitors.

Labor Market. A gradual increase in unemployment, generated by a national wave of company downsizing and layoffs, is expected to continue into 2002. Of chief concern is how easing wage and price pressures will translate into inflation. The recession is expected to recede at a moderate rate during the second half of 2002.

Federal Reserve. In effort to stabilize the economy, a series of rate decreases were implemented, bringing the federal funds rate to 2%, its lowest point since 1961. In attempt to stimulate consumer spending and investment activities, additional cuts could follow.

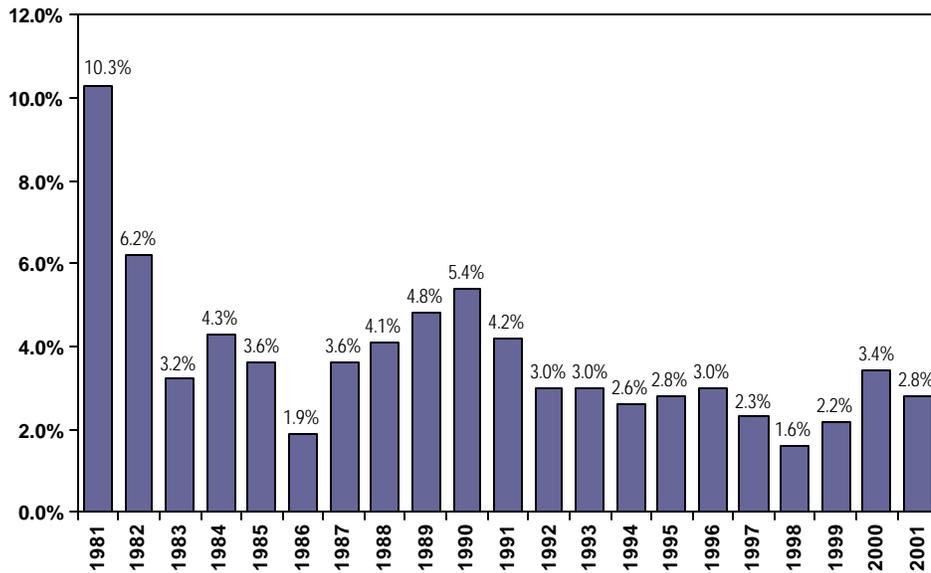
The Fed's policy shift is due to slow economic growth that was intensified by the Sept. 11 terrorist attacks. Industrial production declined at a steady rate in 2001 thereby impairing the Manufacturing industry. Other industries that contributed to slow economic growth include (but are not limited to) Retail, Technology, Auto and Energy.

Conclusion

Although inflation has gradually increased in the past few years, a short economic decline is expected to keep inflation low throughout much of 2002. Likewise, energy prices are anticipated to stay relatively low. Economic growth is expected to resume at a moderate rate during the second half of 2002.

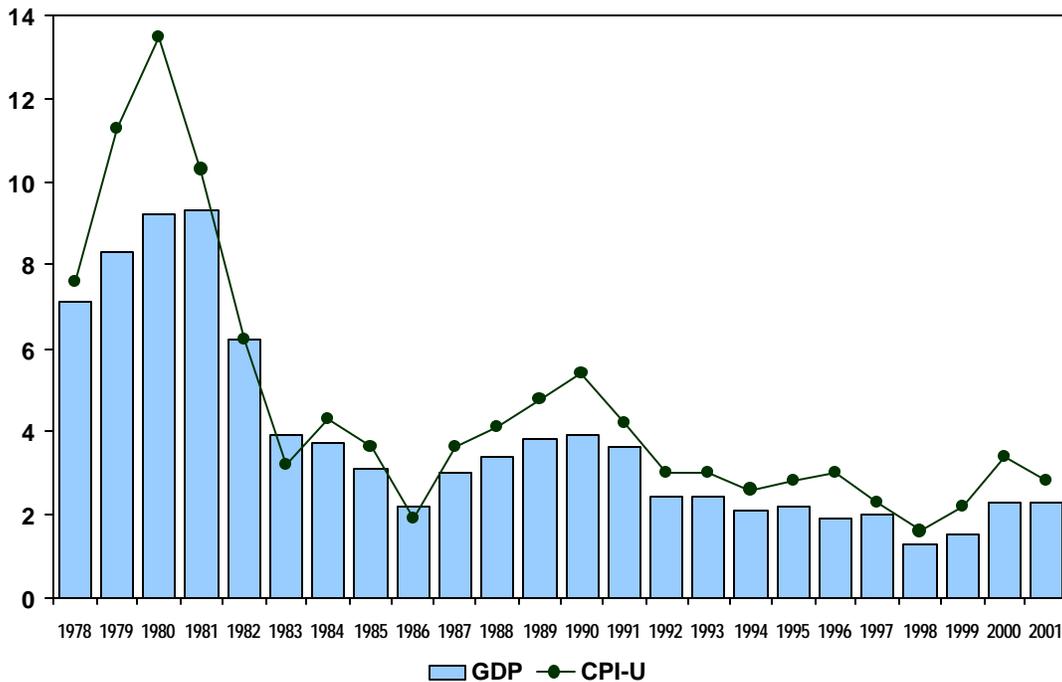
¹ The cost of living data for Provo-Orem are for first quarter 2001; second quarter 2001 data were not published at time of printing.

Figure 37
 U.S. Consumer Price Index (CPI-U): Average Annual Percent Change



Source: U.S. Bureau of Labor Statistics

Figure 38
 CPI-U and GDP Deflator Inflation



Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Council of Economic Advisors

Table 49

U.S. Consumer Price Index for All Urban Consumers (1982-1984=100): (Not Seasonally Adjusted)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Avg. Index	Dec-Dec	Annual Avg. Percent Change
1989	29	28.9	28.9	28.9	29	29.1	29.2	29.2	29.3	29.4	29.4	29.4	29.2	1.4%	1.5%
1990	29.3	29.4	29.4	29.5	29.5	29.6	29.6	29.6	29.6	29.8	29.8	29.8	29.6	0.7	1.1
1991	29.8	29.8	29.8	29.8	29.8	29.8	30.0	29.9	30.0	30.0	30.0	30.0	29.9	1.3	1.2
1992	30.0	30.1	30.1	30.2	30.2	30.2	30.3	30.3	30.4	30.4	30.4	30.4	30.3	1.6	1.2
1993	30.4	30.4	30.5	30.5	30.5	30.6	30.7	30.7	30.7	30.8	30.8	30.8	30.6	1.8	1.2
1994	30.9	30.9	30.9	30.9	30.9	31.0	31.1	31.0	31.1	31.1	31.2	31.2	31.0	1.0	1.3
1995	31.2	31.2	31.3	31.4	31.4	31.6	31.6	31.6	31.6	31.7	31.7	31.7	31.5	1.9	1.6
1996	31.8	32.0	32.1	32.3	32.3	32.4	32.5	32.7	32.7	32.9	32.9	32.9	32.5	3.5	3.0
1997	32.9	32.9	33.0	33.1	33.2	33.3	33.4	33.5	33.6	33.7	33.8	33.8	33.4	3.0	2.8
1998	34.1	34.2	34.3	34.4	34.5	34.7	34.9	35.0	35.1	35.3	35.4	35.5	34.8	4.7	4.3
1999	35.6	35.8	36.1	36.3	36.4	36.6	36.8	37.0	37.1	37.3	37.5	37.7	36.7	6.2	5.5
1970	37.8	38.0	38.2	38.5	38.6	38.8	39.0	39.0	39.2	39.4	39.6	39.8	38.8	5.6	5.8
1971	39.8	39.9	40.0	40.1	40.3	40.6	40.7	40.8	40.8	40.9	40.9	41.1	40.5	3.3	4.3
1972	41.1	41.3	41.4	41.5	41.6	41.7	41.9	42.0	42.1	42.3	42.4	42.5	41.8	3.4	3.3
1973	42.6	42.9	43.3	43.6	43.9	44.2	44.3	45.1	45.2	45.6	45.9	46.2	44.4	8.7	6.2
1974	46.6	47.2	47.8	48.0	48.6	49.0	49.4	50.0	50.6	51.1	51.5	51.9	49.3	12.3	11.1
1975	52.1	52.5	52.7	52.9	53.2	53.6	54.2	54.3	54.6	54.9	55.3	55.5	53.8	6.9	9.1
1976	55.6	55.8	55.9	56.1	56.5	56.8	57.1	57.4	57.6	57.9	58.0	58.2	56.9	4.9	6.7
1977	58.5	59.1	59.5	60.0	60.3	60.7	61.0	61.2	61.4	61.6	61.9	62.1	60.6	6.7	6.5
1978	62.5	62.9	63.4	63.9	64.5	65.2	65.7	66.0	66.5	67.1	67.4	67.7	65.2	9.0	7.6
1979	68.3	69.1	69.8	70.6	71.5	72.3	73.1	73.8	74.6	75.2	75.9	76.7	72.6	13.3	11.3
1980	77.8	78.9	80.1	81.0	81.8	82.7	82.7	83.3	84.0	84.8	85.5	86.3	82.4	12.5	13.5
1981	87.0	87.9	88.5	89.1	89.8	90.6	91.6	92.3	93.2	93.4	93.7	94.0	90.9	8.9	10.3
1982	94.3	94.6	94.5	94.9	95.8	97.0	97.5	97.7	97.9	98.2	98.0	97.6	96.5	3.8	6.1
1983	97.8	97.9	97.9	98.6	99.2	99.5	99.9	100.2	100.7	101.0	101.2	101.3	99.6	3.8	3.2
1984	101.9	102.4	102.6	103.1	103.4	103.7	104.1	104.5	105.0	105.3	105.3	105.3	103.9	3.9	4.3
1985	105.5	106.0	106.4	106.9	107.3	107.6	107.8	108.0	108.3	108.7	109.0	109.3	107.6	3.8	3.5
1986	109.6	109.3	108.8	108.6	108.9	109.5	109.5	109.7	110.2	110.3	110.4	110.5	109.6	1.1	1.9
1987	111.2	111.6	112.1	112.7	113.1	113.5	113.8	114.4	115.0	115.3	115.4	115.4	113.6	4.4	3.7
1988	115.7	116.0	116.5	117.1	117.5	118.0	118.5	119.0	119.8	120.2	120.3	120.5	118.3	4.4	4.1
1989	121.1	121.6	122.3	123.1	123.8	124.1	124.4	124.6	125.0	125.6	125.9	126.1	124.0	4.6	4.8
1990	127.4	128.0	128.7	128.9	129.2	129.9	130.4	131.6	132.7	133.5	133.8	133.8	130.7	6.1	5.4
1991	134.6	134.8	135.0	135.2	135.6	136.0	136.2	136.6	137.2	137.4	137.8	137.9	136.2	3.1	4.2
1992	138.1	138.6	139.3	139.5	139.7	140.2	140.5	140.9	141.3	141.8	142.0	141.9	140.3	2.9	3.0
1993	142.6	143.1	143.6	144.0	144.2	144.4	144.4	144.8	145.1	145.7	145.8	145.8	144.5	2.7	3.0
1994	146.2	146.7	147.2	147.4	147.5	148.0	148.4	148.0	148.4	148.5	148.7	148.7	148.2	2.7	2.6
1995	150.3	150.9	151.4	151.9	152.2	152.5	152.5	152.9	153.2	153.7	153.6	153.5	152.4	2.5	2.8
1996	154.4	154.9	155.7	156.3	156.6	156.7	157.0	157.3	157.8	158.3	158.6	158.6	156.9	3.3	2.9
1997	159.1	159.6	160.0	160.2	160.1	160.3	160.5	160.8	161.2	161.6	161.5	161.3	160.5	1.7	2.3
1998	161.6	161.9	162.2	162.5	162.8	163.0	163.2	163.4	163.6	164.0	164.0	163.9	163.0	1.6	1.6
1999	164.3	164.5	165.0	165.2	165.2	165.2	165.7	167.1	167.9	168.2	168.3	168.3	166.6	2.7	2.2
2000	168.8	169.8	171.2	171.3	171.5	172.4	172.8	172.8	173.7	174.0	174.1	174.0	172.2	3.4	3.4
2001	175.1	175.8	176.2	176.9	177.7	178.0	177.5	177.5	178.3	177.7	177.4	177.3(e)	177.1(e)	1.9(e)	2.8(e)

e = estimate

Sources: U.S. Bureau of Labor Statistics and the Governor's Office of Planning and Budget

Table 50
Gross Domestic Product Price Deflators: 1996=100

Year	Gross Domestic Product (Chain-Type) Deflator	Change from Previous Year	Personal Consumption Expenditures (Chain-Type) Deflator	Change from Previous Year
1969	27.6		26.7	
1970	29.1	5.3%	28.0	4.7%
1971	30.5	5.1	29.2	4.3
1972	31.8	4.2	30.2	3.5
1973	33.6	5.6	31.9	5.4
1974	36.6	8.9	35.1	10.3
1975	40.0	9.4	38.0	8.2
1976	42.3	5.6	40.1	5.4
1977	45.0	6.5	42.7	6.6
1978	48.2	7.1	45.8	7.1
1979	52.2	8.3	49.8	8.9
1980	57.1	9.2	55.2	10.8
1981	62.4	9.3	60.1	8.8
1982	66.3	6.2	63.5	5.7
1983	68.9	3.9	66.2	4.3
1984	71.4	3.7	68.6	3.7
1985	73.7	3.2	71.0	3.4
1986	75.3	2.2	72.7	2.4
1987	77.6	3.0	75.5	3.8
1988	80.2	3.4	78.4	3.9
1989	83.3	3.8	81.9	4.4
1990	86.5	3.9	85.6	4.6
1991	89.7	3.6	88.9	3.8
1992	91.8	2.4	91.6	3.1
1993	94.1	2.4	93.8	2.4
1994	96.0	2.1	95.7	2.0
1995	98.1	2.2	97.9	2.3
1996	100.0	1.9	100.0	2.1
1997	101.9	1.9	101.9	1.9
1998	103.2	1.2	103.0	1.1
1999	104.7	1.4	104.7	1.6
2000	107.1	2.3	107.5	2.7
2001(e)	109.5	2.2	109.6	1.9

e = estimate

Sources: U.S. Department of Commerce, Bureau of Economic Analysis and estimates by Governor's Office of Planning and Budget and WEFA

Table 51
 American Chamber of Commerce Researchers Association (ACCRA)
 Cost of Living Comparisons for Selected Metropolitan Areas: Second Quarter 2001

Component Index Weights:	100% Composite Index	16% Grocery Items	28% Housing	8% Utilities	10% Trans- portation	5% Health Care	33% Misc. Goods & Services
U.S. Average	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Utah Areas							
Provo-Orem*	94.5	110.3	85.3	87.2	98.0	95.0	96.7
Salt Lake City	98.0	111.0	95.6	87.2	100.6	93.5	101.8
Cedar City (Nonmetro)	94.0	107.0	75.8	83.9	94.6	92.6	102.5
Logan (Nonmetro)	96.6	102.3	96.1	83.3	103.5	88.7	96.7
St. George (Nonmetro)	95.0	110.2	85.2	65.2	99.4	97.0	101.5
Western Areas							
Phoenix AZ	99.1	105.1	94.5	90.0	107.7	117.0	96.9
Los Angeles CA	140.0	109.2	217.0	100.3	111.3	118.7	111.0
Sanfrancisco CA	191.8	123.7	365.3	130.0	135.9	164.1	113.7
Denver CO	109.5	110.2	121.0	100.9	107.7	126.8	99.4
Boise ID	99.8	94.5	105.7	76.9	96.3	111.2	102.1
Cheyenne WY	100.0	109.7	89.4	115.5	97.1	99.5	101.4
Portland OR (PMSA)	103.3	105.0	94.6	90.4	110.6	120.4	108.2
Albuquerque NM	100.0	100.8	99.2	100.6	102.3	106.7	98.4
Seattle WA	117.0	113.3	144.5	82.9	112.8	128.8	103.1
Other Areas							
New York NY	232.5	144.8	468.2	141.5	115.3	183.4	139.9
Philadelphia PA	121.1	108.2	137.1	140.2	114.5	99.6	114.5
Atlanta GA	102.2	103.2	107.9	92.7	97.5	103.9	100.2
Boston MA	154.0	109.6	242.8	158.2	121.2	127.4	113.0
Minneapolis MN	113.8	101.4	121.5	133.0	111.5	126.0	107.4
St. Louis MO	98.1	94.0	95.3	88.4	107.6	103.3	101.2
Dallas TX	97.1	97.1	94.4	92.3	100.5	97.4	99.5

* These data are for first quarter 2001; second quarter 2001 data were not published.

Sources: American Chamber of Commerce Researchers Association (ACCRA)