

Price Inflation and Cost of Living

Overview

Inflation decreased in 2002 to 1.6%, compared to 2.8% in 2001, as measured by the CPI-U. The gross domestic product chain-type price deflator decreased to 1.2% in 2002 from 2.4% in 2001. Utah's cost-of-living index in selected cities remained near the national average. The third quarter 2002 composite index (national average equals 100) for cities in Utah was: Salt Lake City, 99.0; Provo-Orem,¹ 95.7; Cedar City, 92.1; St. George, 94.9; and Logan,² 93.7.

2002 Summary

Consumer Price Index. Due to slow economic growth and potential geopolitical risks, the national rate of inflation decreased in 2002. The Consumer Price Index (CPI-U) is estimated to have decreased to 1.6% in 2002, measured on an annual average basis, compared with 2.8% in 2001, and 3.4% in 2000.

Gross Domestic Product Deflators. In 2002 the Gross Domestic Product (GDP) chain-type implicit price deflator is estimated to decrease to 1.2%. The GDP personal consumption deflator in 2002 is expected to fall to 1.4% compared with 2.0% in 2001. 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 first quarter 2002 composite index for Provo-Orem was 95.7, slightly lower than the national average for the period. The second quarter 2002 composite index for Logan was 93.7. Other Utah cities, included in the third quarter survey, were Cedar City (92.1), Salt Lake City (99.0), and St. George (94.9). Most western cities were near or slightly above the national composite index of 100.

2003 Outlook

The national Consumer Price Index for Urban Consumers (CPI-U) in 2003 is forecast to increase to 2.3%, higher than the 1.6% inflation rate in 2002. This is due to an expected moderate economic recovery.

Significant Issues

Labor market. The increase in unemployment, generated by a national wave of company downsizing and layoffs, is expected to gradually improve during the first half of 2003. Of chief concern is how decreased wage and price pressures will translate into inflation.

Housing. Low interest rates on 30-year and 15-year fixed-rate mortgages in 2002 were the lowest in three decades of record keeping. The low rates increased housing construction, home sales, and encouraged current homeowners to refinance.

Federal Reserve. In an attempt to stimulate consumer spending and investment activities, the federal funds rate was cut to 1.25%, its lowest point in four decades. Economic recovery will determine whether or not additional cuts will follow. The Fed's policy shift is due to a vulnerable economic outlook fueled by slow economic growth and potential geopolitical risks.

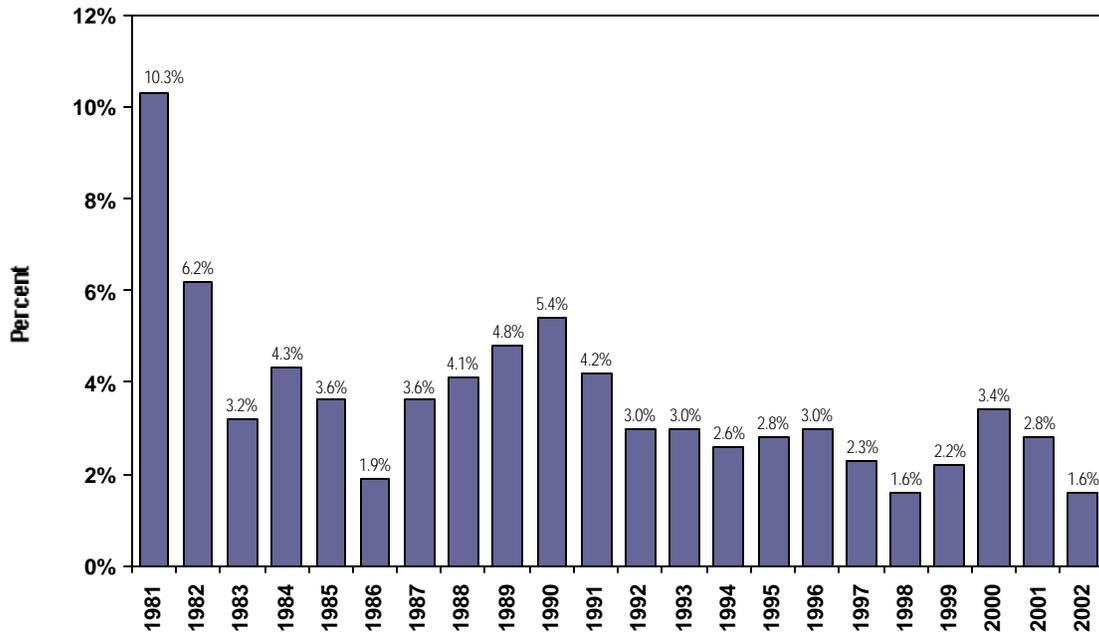
Conclusion

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 2002; both second and third quarter 2002 data were not published.

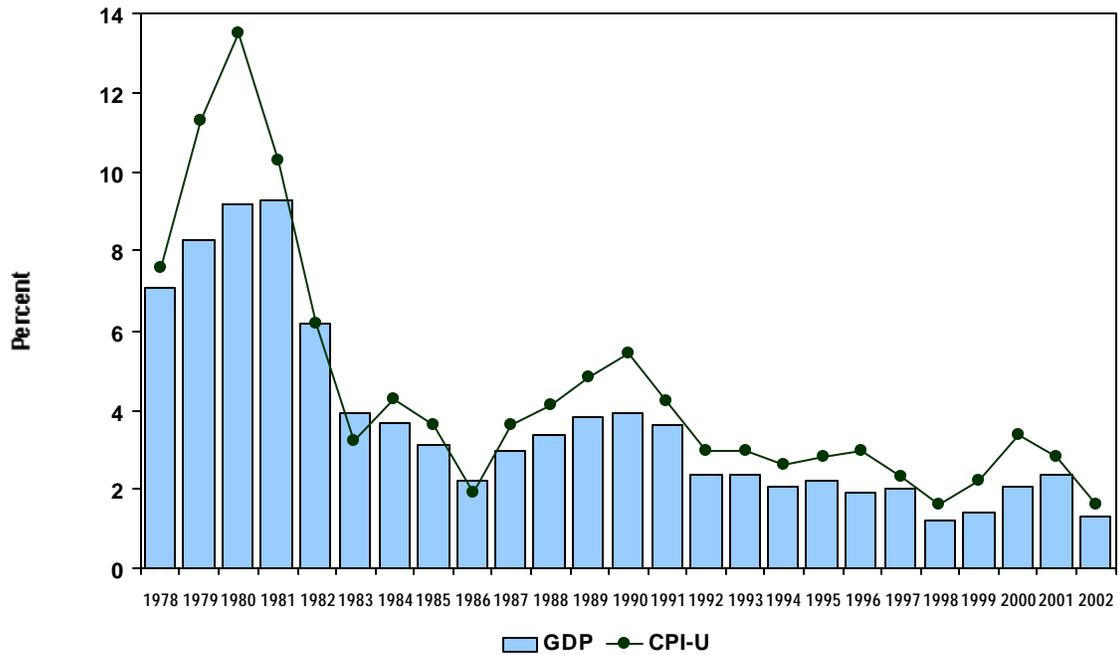
² The cost of living data for Logan are for second quarter 2002; third quarter 2002 data were not published.

Figure 42
U.S. Consumer Price Index (CPI-U): Average Annual Percent Change



Source: U.S. Bureau of Labor Statistics

Figure 43
CPI-U and GDP Deflator Inflation



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

Table 48

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
1959	29	28.9	28.9	29	29	29.1	29.2	29.2	29.3	29.4	29.4	29.4	29.2	1.4%	1.5%
1960	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
1961	29.8	29.8	29.8	29.8	29.8	29.8	29.8	29.8	30.0	30.0	30.0	30.0	29.9	1.3	1.2
1962	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
1963	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	1.0	1.3
1964	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	1.9	1.6
1965	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	3.5	3.0
1966	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	3.0	2.8
1967	32.9	32.9	33.0	33.1	33.2	33.3	33.4	33.5	33.6	33.7	33.8	33.9	33.4	4.7	4.3
1968	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	6.2	5.5
1969	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	5.6	5.8
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	3.3	4.3
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	8.7	6.2
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	12.3	11.1
1974	46.6	47.2	47.8	48.0	48.6	49.4	49.4	50.0	50.6	51.1	51.5	51.9	49.3	6.9	9.1
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	4.9	6.7
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	6.7	6.5
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	9.0	7.6
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	13.3	11.3
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	12.5	13.5
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	3.8	6.1
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	3.2
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	4.3
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	129.3	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	148.5	149.0	149.5	149.7	149.7	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	160.3	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	165.2	165.2	165.2	165.2	165.2	165.2	163.3	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	177.4	177.4	176.7	177.1	1.6	2.8
2002	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181.0	181.3	181.6(e)	181.09(e)	179.9(e)	2.5(e)	1.6(e)

e = estimate

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

Table 49
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
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	8.8
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	3.1	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	91.9	2.4	91.6	3.0
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	102.0	2.0	101.9	1.9
1998	103.2	1.2	103.0	1.1
1999	104.7	1.4	104.7	1.7
2000	106.9	2.1	107.4	2.5
2001	109.4	2.4	109.6	2.0
2002 (e)	110.7	1.2	111.1	1.4

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 50
 American Chamber of Commerce Researchers Association (ACCRA)
 Cost of Living Comparisons for Selected Metropolitan Areas: Third Quarter 2002

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							
Salt Lake City	99.0	110.3	96.1	82.6	100.7	87.9	101.0
Cedar City (Nonmetro)	92.1	110.9	70.1	84.4	93.1	89.1	103.6
Logan (Nonmetro)*	93.7	102.2	82.9	91.5	97.6	85.7	99.3
Provo-Orem**	95.7	109.2	82.3	87.0	101.1	93.5	101.3
St. George (Nonmetro)	94.9	113.0	79.9	90.2	94.4	93.6	100.3
Western Areas							
Phoenix AZ	96.2	102.0	84.6	96.8	107.2	111.2	97.5
L. A.-Long Beach CA	135.2	109.6	199.1	110.6	112.9	111.1	109.6
San Francisco CA	184.1	141.1	332.7	92.4	130.0	143.8	123.7
Denver CO	102.9	105.5	109.2	75.2	109.5	119.1	98.6
Boise ID	94.9	83.5	91.6	87.4	97.9	106.0	102.5
Las Vegas NV	104.8	107.8	97.8	99.7	109.5	121.6	106.5
Albuquerque NM	99.7	96.8	94.9	97.5	100.9	98.2	105.6
Portland OR	111.7	103.5	121.5	109.5	112.4	119.5	106.6
Cheyenne WY	102.7	113.4	100.6	95.1	98.3	92.4	103.9
Seattle WA	148.2	116.0	228.2	123.3	111.5	160.3	111.2
Other Areas							
Atlanta GA	97.7	101.0	96.2	92.4	102.5	102.0	96.6
Boston MA (MA Part)	135.5	114.8	177.3	153.9	106.4	134.8	114.6
Minneapolis MN	106.1	98.9	103.7	114.1	119.0	121.2	103.5
St. Louis MO-IL	100.7	108.0	93.8	107.2	103.0	97.6	101.2
New York (Manhattan) NY	218.3	146.8	415.7	155.9	120.2	165.6	138.2
Philadelphia PA	120.2	115.1	132.9	141.0	118.7	133.2	105.4
Dallas TX	98.0	96.3	92.6	98.4	96.8	100.7	103.2

Notes: For data on additional cities, visit the ACCRA website at www.coli.org.

* These data are for second quarter 2002; third quarter 2002 data were not published.

**These data are for first quarter 2002; both second and third quarter 2002 data were not published.

Source: American Chamber of Commerce Researchers Association (ACCRA), P.O. Box 407, Arlington VA 22210-0407.

