Executive Summary

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by American consumers for goods and services. The Consumer Price Index is measured by the U.S. Bureau of Labor and Statistics and reported monthly and is often used as a measure for cost of living and economic conditions. The CPI is based on prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and the other goods and services that people buy for day-to-day living. Each month, prices are collected in 87 urban areas across the country from about 4,000 housing units and approximately 26,000 retail establishments--department stores, supermarkets, hospitals, filling stations, and other types of stores and service establishments.

The 3rd quarter average Consumer Price Index (US City Average) increased to 273.6 from its 269.3 level last quarter showing strong inflationary pressures on the US economy. Monthly CPI has generally been trending upwards since November 2016 with periodic declines in December 2017 and 2019. The effects of the COVID-19 pandemic caused the CPI to decline significantly from a high of 258.7 in February 2020 to 256.4 in April and May 2020. As the economy gradually reopened, prices rose steadily with CPI reaching 260.5 by December 2020. The effects of the economy reopening, supply chain challenges, and the demand for goods lead prices to increase significantly in the 1st and 2nd quarters of 2021. While the 3rd quarter did not see as significant of an increase as the 1st and 2nd quarters, it is unclear whether this is a permanent trend or a temporary trend due to anomalies in the supply chain. The current levels of inflation (5.37% in July, 5.25% in August, and 5.39% in September) are well above the level that the Federal Reserve generally considers acceptable.

The yearly levels keep trending upwards: 2020 annual average CPI rose to 258.8, compared to the 2019 average of 255.7 and 2018 average of 251.1. The current YTD inflation rate is at 3.8% with a 268.7 YTD average CPI.
Regional Consumer Price Index

Oklahoma is the most northwestern state in the Southern region, as defined by the Bureau of Labor Statistics. Oklahoma shares many characteristics with the Midwest region, given that it is in such close proximity. The South region is comprised of: Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia. The Midwest region is comprised of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

The Midwest and the South Urban Areas’ CPIs increased by 5.46% and 5.76%, respectively, over the 12-month period, while the national CPI increased 5.39%. Gains in the costs of food, gasoline, and rents, these were primarily driven by the pandemic, major winter storms and significant disruptions in the supply chains of many industries that are slowly coming back on line.

The graph below shows a 12-month moving average for the U.S., as well as the South and Midwest Regions.

12-Month Moving Average: U.S. – 263.2, Midwest Urban Area – 244.4, South Urban Area – 253.2
Inflation Rate (Month over Month)

The inflation rate is a measure of the rise in the general price levels of goods and services over a period of time. The chief measure of price inflation is the percentage change in the Consumer Price Index.

Observations:
From late 2015 to the present, the US has not seen any deflation year over year, but the Federal Open Market Committee’s target of two-percent inflation was only hit once in 2016. Moving forward in 2017 and 2018, meeting the 2% goal proved to be more successful. Inflation was over the 2% mark for most months in 2017, except for May through August (when it fluctuated between 1.633% and 1.939%), and remained above 2% throughout 2018, until December. This is partially why the Federal Reserve continued to raise interest rates in December 2017 and three times in 2018, bumping up target inflation to 2.5% at the end of last year. The Federal Reserve had to reverse the trend during the pandemic, but as the economy recovers and stimulus funds continue to flow inflation rates are now more consistently above 2% in 2021. While the current high rates can be attributed to the staggered recovery and reopening post COVID-19 shutdown, if rates continue this upward trend then there would be cause of for concern/action by the Federal Reserve.

Methodology: The graph above illustrates month-over-month inflation levels using the U.S. City Average measure of the CPI. For example, the September 2021 inflation level of 5.39% was calculated by comparing the CPI of the preceding September (2020) to the September 2021 figure.
### All Urban Consumers - Not Seasonally Adjusted - All Items

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Annual Average YTD</th>
<th>Inflation Rate YOY</th>
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<tbody>
<tr>
<td>2004</td>
<td>185.2</td>
<td>186.2</td>
<td>187.4</td>
<td>188.0</td>
<td>189.1</td>
<td>189.7</td>
<td>189.4</td>
<td>189.5</td>
<td>189.9</td>
<td>190.9</td>
<td>191.0</td>
<td>190.3</td>
<td>188.9</td>
<td>2.7%</td>
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<td>190.7</td>
<td>191.8</td>
<td>193.3</td>
<td>194.6</td>
<td>194.4</td>
<td>194.5</td>
<td>195.4</td>
<td>196.4</td>
<td>198.8</td>
<td>199.2</td>
<td>197.6</td>
<td>196.8</td>
<td>195.3</td>
<td>3.4%</td>
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<td>198.7</td>
<td>199.8</td>
<td>201.5</td>
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<td>203.5</td>
<td>203.9</td>
<td>202.9</td>
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<td>201.5</td>
<td>201.8</td>
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<td>3.2%</td>
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<td>203.5</td>
<td>205.4</td>
<td>206.7</td>
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<td>211.7</td>
<td>213.5</td>
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<td>219.1</td>
<td>218.8</td>
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<td>212.4</td>
<td>210.2</td>
<td>215.3</td>
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<td>212.2</td>
<td>212.7</td>
<td>213.2</td>
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<td>215.4</td>
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<td>217.6</td>
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<td>218.3</td>
<td>218.4</td>
<td>218.7</td>
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<td>218.1</td>
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<td>225.9</td>
<td>226.5</td>
<td>226.9</td>
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<td>3.2%</td>
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<td>229.1</td>
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<td>231.4</td>
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<td>232.9</td>
<td>233.5</td>
<td>233.6</td>
<td>233.9</td>
<td>234.1</td>
<td>233.5</td>
<td>233.1</td>
<td>233.0</td>
<td>230.0</td>
<td>1.5%</td>
</tr>
<tr>
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<td>236.3</td>
<td>237.1</td>
<td>237.9</td>
<td>238.3</td>
<td>238.3</td>
<td>237.9</td>
<td>238.0</td>
<td>237.4</td>
<td>236.2</td>
<td>234.8</td>
<td>236.7</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

#### Yearly Data Details
- **2015 U.S. City Average**: 233.7
- **2015 Midwest Urban Area**: 221.5
- **2015 South Urban Area**: 226.9
- **2016 U.S. City Average**: 236.9
- **2016 Midwest Urban Area**: 223.3
- **2016 South Urban Area**: 229.5
- **2017 U.S. City Average**: 242.8
- **2017 Midwest Urban Area**: 228.3
- **2017 South Urban Area**: 235.5
- **2018 U.S. City Average**: 247.9
- **2018 Midwest Urban Area**: 232.0
- **2018 South Urban Area**: 239.8
- **2019 U.S. City Average**: 251.7
- **2019 Midwest Urban Area**: 233.8
- **2019 South Urban Area**: 242.6
- **2020 U.S. City Average**: 258.0
- **2020 Midwest Urban Area**: 240.0
- **2020 South Urban Area**: 248.0
- **2021 U.S. City Average**: 261.6
- **2021 Midwest Urban Area**: 242.6
- **2021 South Urban Area**: 252.1