

## San Diego has the 3rd highest consumer prices in the U.S. Here's why inflation feels like it isn't going away

By Phillip Molnar

The national inflation rate was 3.2 percent, still above the Federal Reserve's target of 2 percent. Annually, the largest gains have been in shelter and food costs.

San Diego's biggest annual gains are similar to the rest of the nation's, but just at a much higher rate. For example, San Diego's rent was up 9.2 percent in contrast to 5.8 percent in Los Angeles, 7.5 percent in Boston and 4.7 percent in Minneapolis.

Compared to last year at this time, when San Diego's inflation rate was 7.3 percent, the 4.3 percent rate now might seem like a relief. Yet Ray Major, chief economist at the San Diego Association of Governments, said inflation is still high for everything from groceries to apparel and the lower overall rate was mainly driven by a significant drop in gasoline prices.

The report shows a 16.2 percent drop in motor fuel after last year's historic rise in gas prices. Major said that masks the overall rises that everyone is still feeling at the grocery store and in shelter costs, which include rent and higher costs for homeowners, including mortgages at higher interest rates.

"Inflation was extremely high last year, making this year look artificially low," he said.

Major said, for San Diego in particular, any increase in shelter costs makes an outsized impact in how people feel about inflation because so much of their spending goes toward housing.

Even with the overall inflation picture looking murky, there are some positive signs if you look hard enough. When volatile food and energy costs are removed from the overall inflation rate, called core inflation, San Diego County had a 0.2 percent rise from May to July. That was the same increase as the national rate. On an annual basis, San Diego County's core inflation was up 5.6 percent compared to 4.7 percent nationally.

Zillow senior economist Orphe Divounguy wrote in an analysis that a decrease in core inflation was good news for the economy, even if the rate of decline is slow. He said shelter costs reflected in inflation rates are likely to drop, because of slowed rent growth across the nation, meaning that one of core inflation's biggest drivers could be on the downswing.

Other individual categories in San Diego County saw price drops over the two-month period: Commodity prices (minus food and beverages) were down 2.2 percent, medical care was down 1.7 percent and nonalcoholic beverages were down 1.6 percent.

On an annual basis, these are the areas where prices changed in San Diego County:

Motor fuel: The price for unleaded regular was down 16.5 percent; unleaded midgrade, down 15.7 percent; and down 15.2 percent for unleaded premium.

Food: Cereals and bakery products were up 12 percent; dairy, up 7.5 percent; fruits and vegetables, up 1 percent; and meats, poultry, fish, and eggs were down 6 percent.

Household energy: Electricity costs were up 16.2 percent, and utility (piped) gas service was down 4.1 percent.

Transportation costs, which include automobile maintenance, vehicle parts and car insurance, were down 2.6 percent. Used car and truck prices were down 5.3 percent.

Apparel: Up 2.8 percent

Medical care: Up 2.7 percent

Nationally, prices in the South were rising much faster than other regions throughout much of the past two years. Yet the West appears to be resuming its historic norms by having prices rising more than everywhere else.

In July, the West had the biggest annual rise at 3.5 percent. It was followed by the South at 3.4 percent, Midwest at 2.9 percent and the Northeast at 2.6 percent.

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Inflation increases by metro area  
Annual, as of July 2023

Tampa-St. Petersburg-Clearwater: 5.9 percent

Denver-Aurora-Lakewood: 4.7 percent

San Diego-Carlsbad: 4.3 percent

Dallas-Fort Worth-Arlington: 4 percent

Riverside-San Bernardino-Ontario: 3.4 percent

New York-Newark-Jersey City: 3.2 percent

Boston-Cambridge-Newton: 2.8 percent

Los Angeles-Long Beach-Anaheim: 2.7 percent

Chicago-Naperville-Elgin: 2.2 percent

Urban Hawaii: 2.1 percent

Washington-Arlington-Alexandria: 1.8 percent

Minneapolis-St.Paul-Bloomington: 1 percent

*SOURCE: U.S. Bureau of Labor Statistics' Consumer Price Index*