THE CONNECTION

Economic Development and Our Community

Evaluating Detailed Consumer Price Indexes and Other Key Economic Indicators

Published February 22, 2023
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Summary

In this month's Connection article, we take a closer look at the performance of key economic indicators in the Dallas-Fort Worth (DFW) region before and after the COVID-19 pandemic to provide a comprehensive understanding of the region's economic landscape.

The pandemic has had a profound impact on many aspects of the DFW economy, and the indicators discussed in the findings reflect some of those changes. The **CPI for energy**, for example, dropped significantly in the early months of the pandemic due to decreased demand for energy, as many people stayed home, and businesses shut down. However, from 2015 to 2021, the cost of energy had been increasing at the **fastest rate** relative to the CPI for rent, housing, and food indicating a longer-term trend that predated the pandemic. Further the pandemic caused a sharp increase in unemployment rates across all categories in the DFW area, with the largest relative change seen in U-2 unemployment which covers **job lay-offs** and contract expirations in 2020.

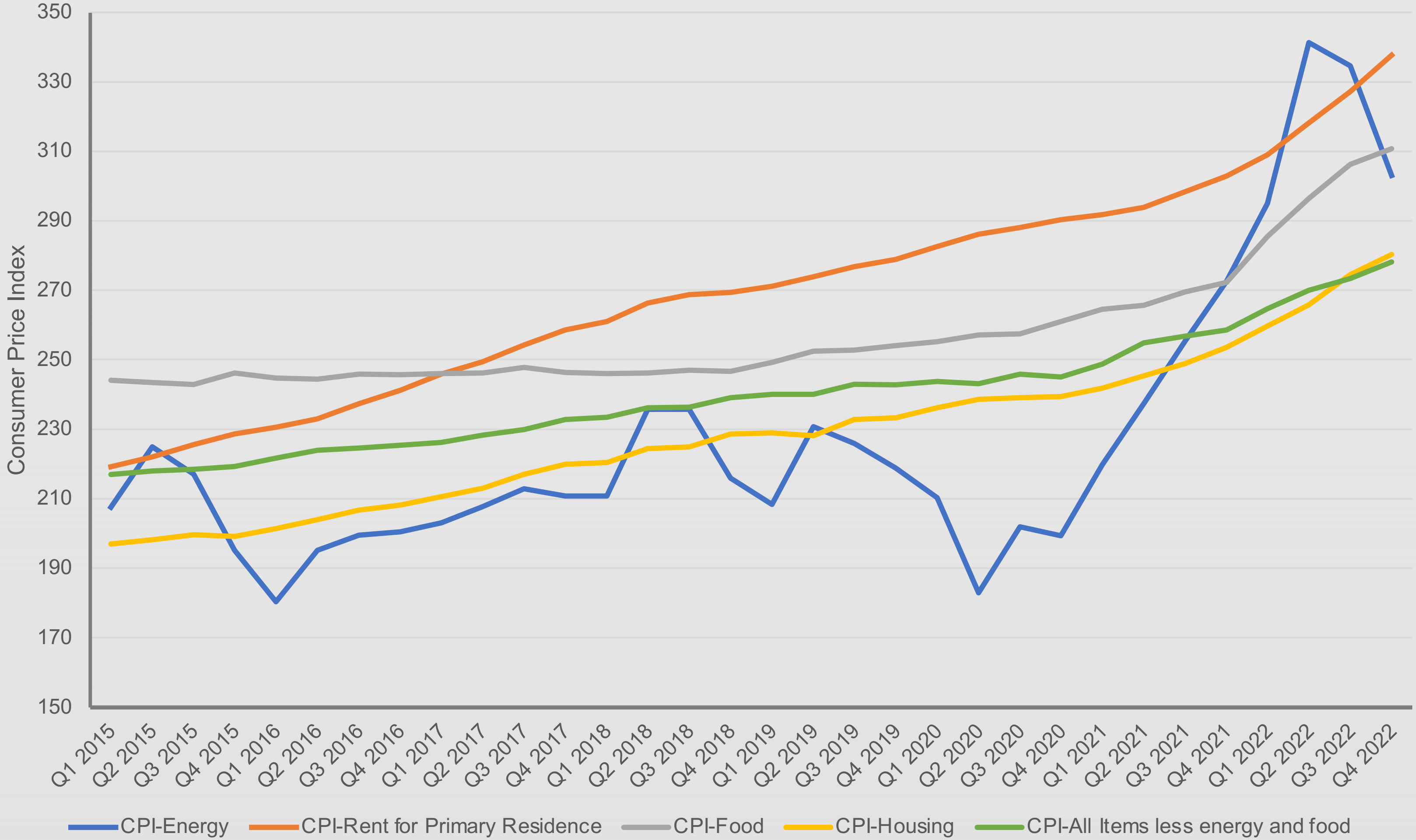
The **export values** for the region increased from 2019 to 2022, although there were some fluctuations during that time period. While the pandemic caused a dip in exports in **Q2 2020** for virtually all major metros affected by the shutdowns, all have since recovered and made progress in developing their export industries. It is notable that DFW had consistently lower export values compared to the other regions. However, the increasing export values for DFW suggest that the area is making progress in developing its export industries and becoming more competitive in the global market.

CPI for Durable vs Nondurable Goods in DFW

Durable goods can be thought of as items that are **bought less frequently** and are usually more **expensive** such as cars, computers, or household appliances. Nondurable goods on the other hand encompasses items that are purchased with **regularity** and subject to **faster depreciation** like food or clothing. The CPI for nondurable goods appears to have had a relatively steady increase, with only a few brief periods of decline. In contrast, the CPI for durable goods had experienced a steady decline prior to the pandemic but then experienced an explosion, likely as a response to supply difficulties and a surge of demand.

Source: Federal Reserve Bank of St. Louis, February 2023.

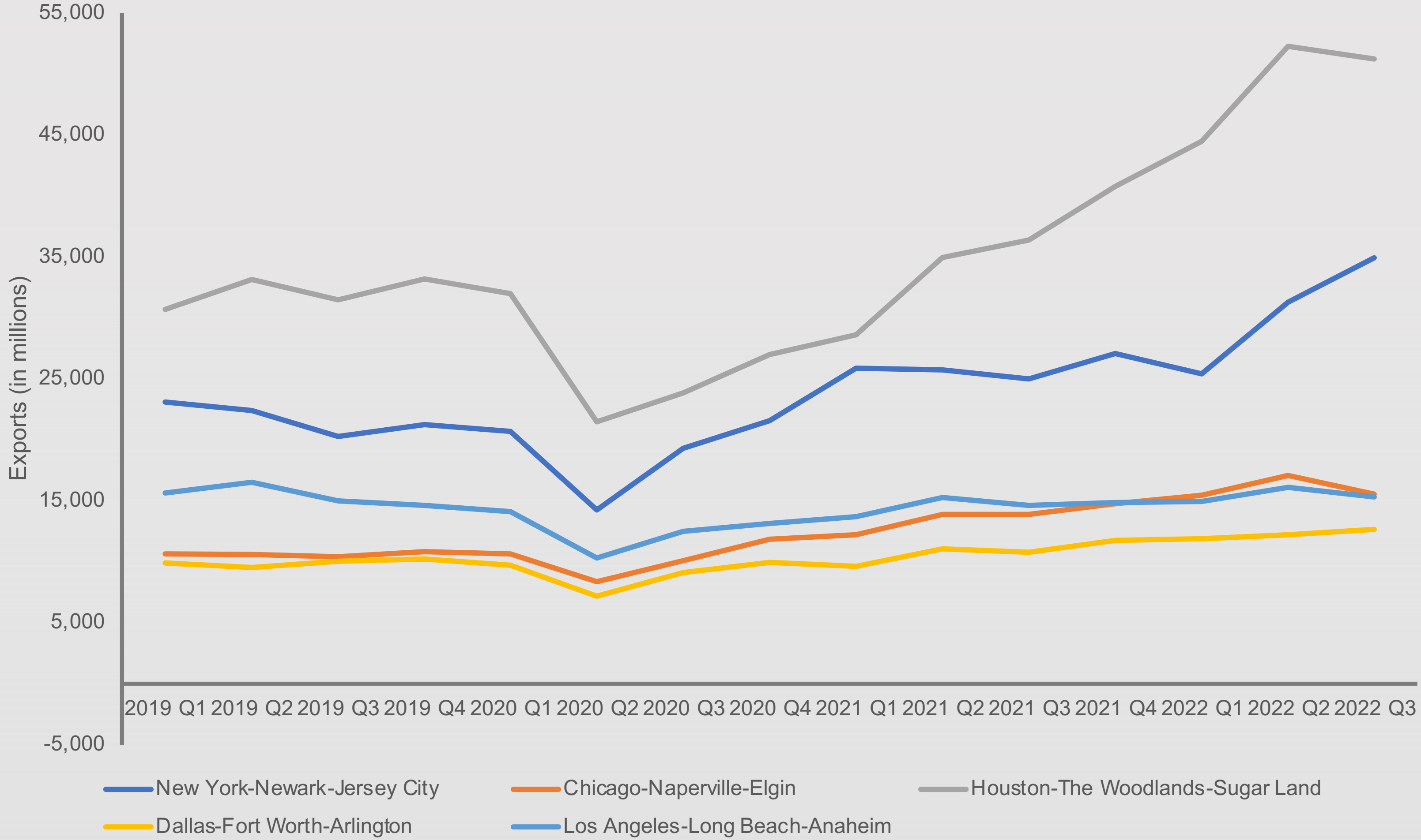
Consumer Price Indices in DFW



Of all the categories measured, the **CPI for energy** experienced the most quarter-over-quarter fluctuations, with it regularly increasing and decreasing before the pandemic. However, after **Q3 2020**, this category saw a massive multi-year increase in the price index until reaching a peak in Q2 2022. Given the basket for energy covers a wide range of commodities and services, from **gasoline** to **electricity**, this serves as a strong indicator of the immediate impact that these increases had on consumers.

Source: Federal Reserve Bank of St. Louis, February 2023.

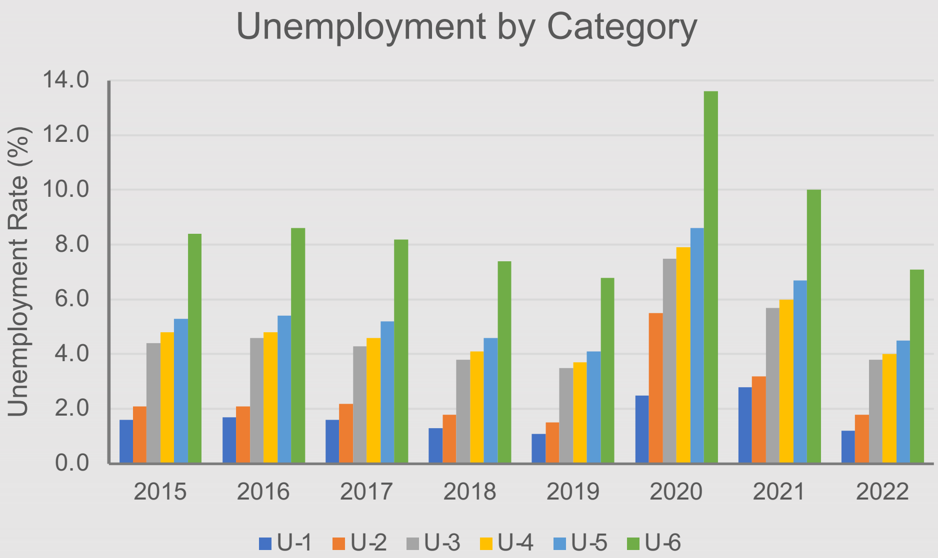
Exports by Metropolitan Area

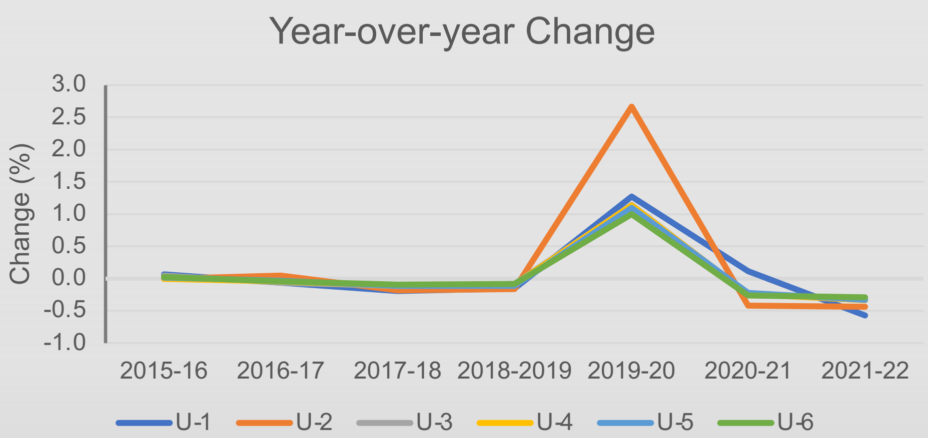


Export values for all five metro areas **increased** from 2019 to 2022, although some advanced at a far faster rate than others. All the five metro areas experienced a decline in exports in the second quarter of 2020, which is likely due to the impact of the pandemic and associated shutdowns. **Houston-The Woodlands-Sugar Land** consistently had the highest export values of all the regions. This may be due to the area's strong presence in the oil and gas industry. The export values for DFW were consistently **lower** than the other major regions but should be placed in the context of being the only major MSA in the list above without immediate access to waterborne freight shipping.

Source: United States Census Bureau, February 2023.

Unemployment Rate by Category in Texas





Measures of Unemployment

U-1 Persons unemployed 15 weeks or longer, as a percent of the civilian labor force

U-2 Job losers and persons who completed temporary jobs, as a percent of the civilian labor force

U-3 Total unemployed, as a percent of the civilian labor force (official unemployment rate)

U-4 Total unemployed plus discouraged workers, as a percent of the civilian labor force plus discouraged workers

U-5 Total unemployed, plus discouraged workers, plus all other persons marginally attached to the labor force, as a percent of the civilian labor force plus all persons marginally attached to the labor force

U-6 Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force

The **unemployment rate** was relatively consistent across all categories from **2015 to 2019,** gradually decreasing over the years. This trend was sharply reversed in 2020 with the start of the pandemic. All unemployment categories saw a massive increase across the board, with the most notable occurring with **U-2**. This category is the measurement of **job losses** and persons who completed their **temporary job** assignments, which had a pronounced impact on the overall increase in unemployment as companies temporarily shut down operations during the early months of 2022.

*The unemployment rates are annual averages

Source: United States Bureau of Labor Statistics, February 2023.

Questions?
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