

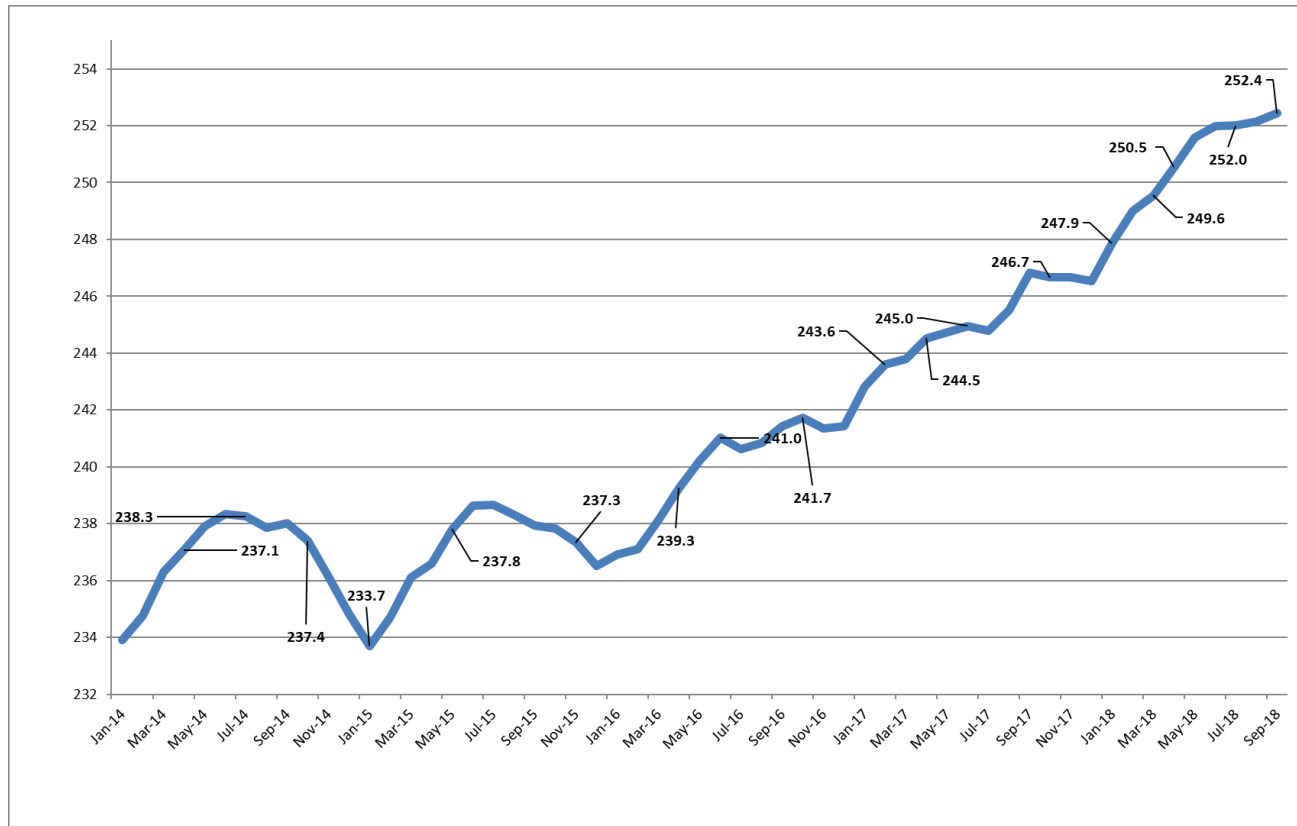
**Executive Summary**

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 3<sup>rd</sup> Quarter average Consumer Price Index (US City Average) increased to 252.2. Monthly CPI has been trending upwards since November 2016 and quarterly CPI average has been trending upwards since the 4<sup>th</sup> Quarter of 2015, when the index was at 237.2. This year's 3<sup>rd</sup> quarter performed better than previous years, indicating continued economic growth.

The yearly levels keep trending upwards: 2017 annual average CPI rose to 245, compared to the 2016 average level of 240. This increase has allowed the inflation rate to remain above the 2% level for most of the current year. This level of inflation has not been experienced since early 2012.

**U.S. Consumer Price Index January 2014 – September 2018**



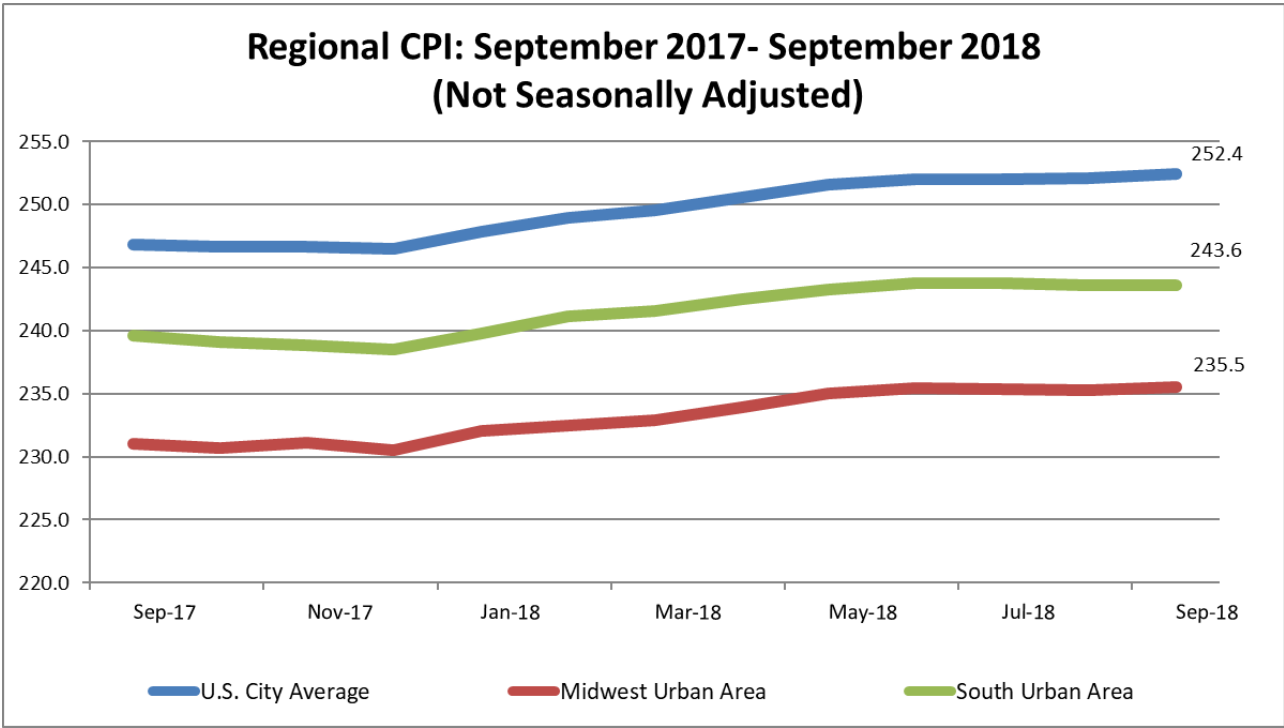
*U.S. City Average Not Seasonally Adjusted – September 2018 – 252.439*

**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’ CPI increased by 1.95% and 1.67%, respectively, over the 12-month period, while the national CPI increased 2.28%. The sudden surge in energy prices, alongside steady increases in the cost of food, contributed to a surge in headline CPI over the summer months but has since remained steady, most recently even experiencing a slight decline.

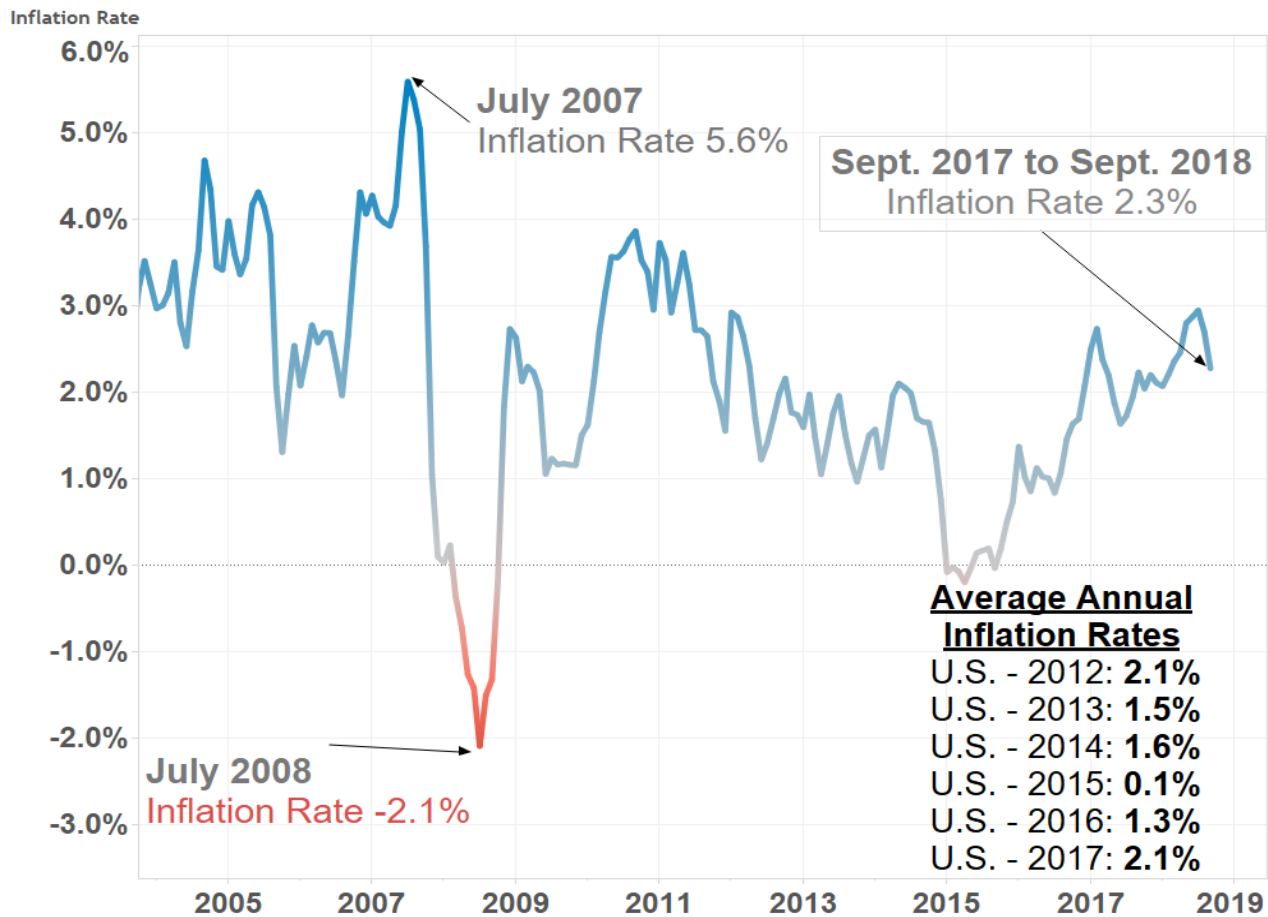
The graph below shows a 12-month moving average for the U.S., as well as the South and Midwest Regions.



12-Month Moving Average: **U.S.** – 249.7, **Midwest Urban Area** – 233.4, **South Urban Area** – 241.6

## 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, but the Federal Open Market Committee's target of two-percent inflation was only hit once in 2016. Moving forward in 2017 and the first three quarters of 2018, meeting the 2% goal has proven 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%). This is partially why the Federal Reserve continued to raise interest rates in December 2017 and again in March and September 2018. Rates are expected to be hiked again in December of this year, as well.

The current year saw steady increases throughout the first two quarters, nearly reaching three percent in July before coming down to its current level. Before July, the US had not seen an inflation rate near three percent since January of 2012. Major contributors to this year's increase included rising gasoline, grocery, medical care, fuel oil, and shelter indices. This rising trend is indicative of a healthy economy, as the Federal Reserve likes to see rates between 2-3%. However, caution should be used to ensure the inflation rate does not rise too quickly, as history has shown this to be a volatile condition.

**Methodology:** The graph above illustrates month-over-month inflation levels using the U.S. City Average measure of the CPI. For example, the September 2018 inflation level of 2.28% was calculated by comparing the CPI of the preceding September (2017) to the September 2018 figure.

Consumer Price Index - All Urban Consumers - Not Seasonally Adjusted- All Items														
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual Average YTD	Inflation Rate YOY
2004	185.2	186.2	187.4	188.0	189.1	189.7	189.4	189.5	189.9	190.9	191.0	190.3	188.9	2.7%
2005	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.8	195.3	3.4%
2006	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9	202.9	201.8	201.5	201.8	201.6	3.2%
2007	202.4	203.5	205.4	206.7	207.9	208.4	208.3	207.9	208.5	208.9	210.2	210.0	207.3	2.9%
2008	211.1	211.7	213.5	214.8	216.6	218.8	220.0	219.1	218.8	216.6	212.4	210.2	215.3	3.8%
2009	211.1	212.2	212.7	213.2	213.9	215.7	215.4	215.8	216.0	216.2	216.3	215.9	214.5	-0.4%
2010	216.7	216.7	217.6	218.0	218.2	218.0	218.0	218.3	218.4	218.7	218.8	219.2	218.1	1.6%
2011	220.2	221.3	223.5	224.9	226.0	225.7	225.9	226.5	226.9	226.4	226.2	225.7	224.9	3.2%
2012	226.7	227.7	229.4	230.1	229.8	229.5	229.1	230.4	231.4	231.3	230.2	229.6	229.6	2.1%
2013	230.3	232.2	232.8	232.5	232.9	233.5	233.6	233.9	234.1	233.5	233.1	233.0	233.0	1.5%
2014	233.9	234.8	236.3	237.1	237.9	238.3	238.3	237.9	238.0	237.4	236.2	234.8	236.7	1.6%
2015 U.S. City Average	233.7	234.7	236.1	236.6	237.8	238.6	238.7	238.3	237.9	237.8	237.3	236.5	237.0	0.1%
2015 Midwest Urban Area	221.5	222.3	223.6	223.8	224.7	225.9	225.9	225.8	225.2	225.1	224.0	222.7	224.2	-0.5%
2015 South Urban Area	226.9	227.9	229.3	230.0	230.9	232.0	231.7	231.3	230.9	230.9	230.4	229.6	230.1	-0.2%
2016 U.S. City Average	236.9	237.1	238.1	239.3	240.2	241.0	240.6	240.9	241.4	241.7	241.4	241.4	240.0	1.3%
2016 Midwest Urban Area	223.3	223.2	224.6	225.6	226.5	227.8	226.8	227.1	227.6	227.4	226.7	226.8	226.1	0.8%
2016 South Urban Area	229.5	229.6	231.0	232.0	232.9	233.8	233.3	233.5	234.1	234.3	234.0	234.2	232.7	1.1%
2017 U.S. City Average	242.8	243.6	243.8	244.5	244.7	245.0	244.8	245.5	246.8	246.7	246.7	246.5	245.1	2.1%
2017 Midwest Urban Area	228.3	228.6	228.8	229.7	229.7	229.8	229.8	230.4	231.0	230.7	231.1	230.5	229.9	1.7%
2017 South Urban Area	235.5	236.1	236.2	236.7	236.8	237.3	236.9	237.9	239.6	239.1	238.9	238.5	237.5	2.0%
2018 U.S. City Average	247.9	249.0	249.6	250.5	251.6	252.0	252.0	252.1	252.4					
2018 Midwest Urban Area	232.0	232.5	232.9	233.9	235.1	235.5	235.3	235.3	235.5					
2018 South Urban Area	239.8	241.1	241.6	242.5	243.3	243.8	243.8	243.6	243.6					

The table above, All Items Consumer Price Index for All Urban Consumers (CPI-U) is the Bureau of Labor Statistics' broadest and most comprehensive index. The base index year is 1982-1984 = 100. Source: U.S. Bureau of Labor Statistics, [www.bls.gov/data](http://www.bls.gov/data)