

SOUTHWEST INFORMATION OFFICE
Dallas, Texas

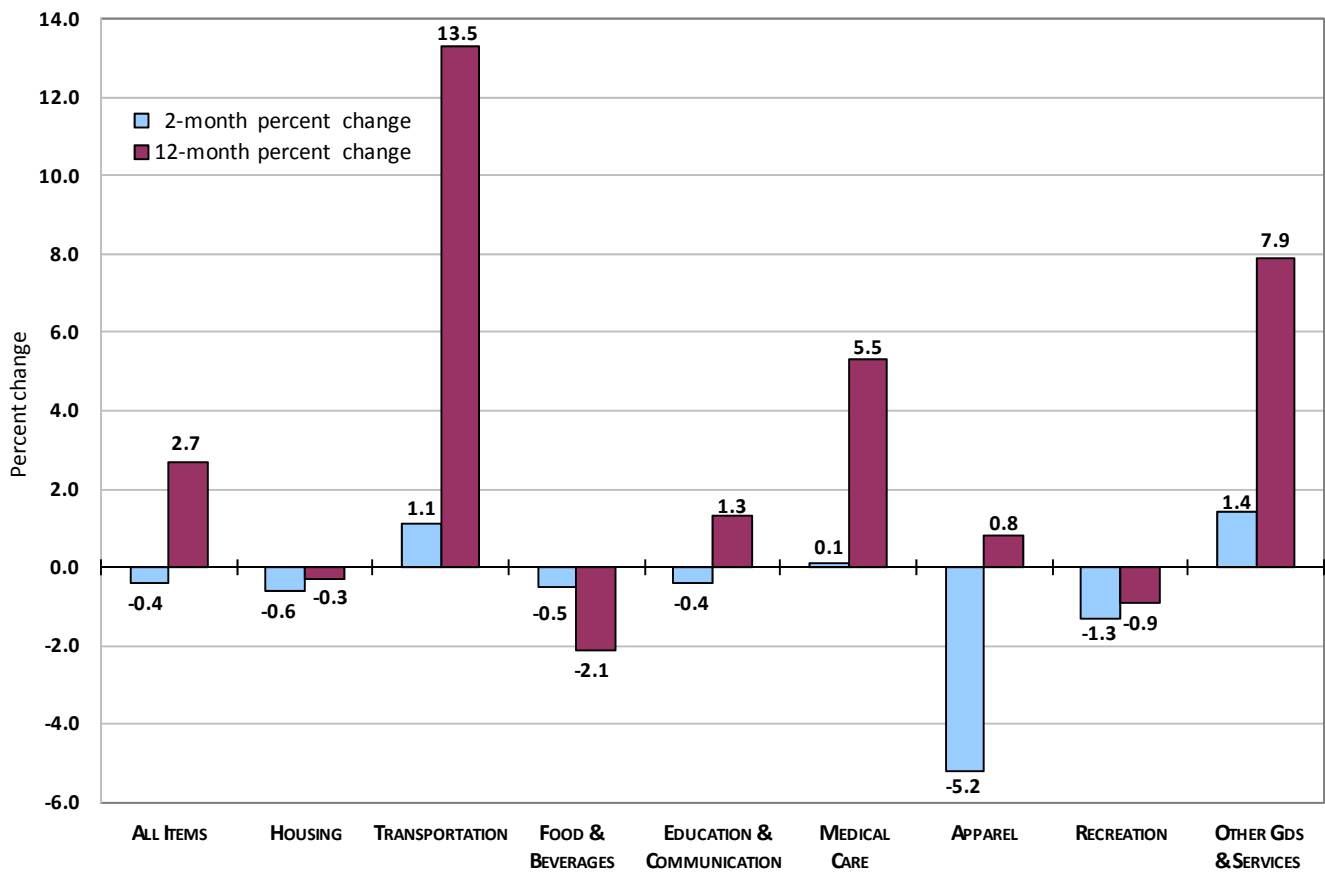
For release 7:30 a.m. (CST) Friday, January 15, 2010

Contact information: (972) 850-4800 • BLSInfoDallas@bls.gov • www.bls.gov

HOUSTON-GALVESTON-BRAZORIA CONSUMER PRICE INDEX – DECEMBER 2009
Area Prices Down in December, but Rise over the Year

Prices in the Houston-Galveston-Brazoria area fell 0.4 percent during November and December, the U.S. Bureau of Labor Statistics reported today. Regional Commissioner Stanley W. Suchman noted that decreases occurred in five of the eight major categories. During the year ended in December 2009, local prices increased 2.7 percent, primarily as a result of a sharp annual increase in motor fuel costs. These data are based on the Consumer Price Index for All Urban Consumers (CPI-U).

Chart 1. Percent change in Houston-Galveston-Brazoria CPI-U by major category, December 2009



The local housing index fell 0.6 percent during November and December as cost decreases for shelter and household furnishings combined to offset a 0.3-percent increase in fuels and utilities. The shelter index fell 0.7 percent in the latest bimonthly period, primarily reflecting declines in owner's equivalent rent (-0.7 percent) and lodging away from home (hotel and motel charges). The index for rent of a primary residence was little changed. Prices for household furnishings and operations provided additional downward momentum to overall housing costs, falling 1.2 percent during the period. In contrast, the index for fuels and utilities increased 0.3 percent, reflecting a 0.3-percent increase in electricity costs; charges for utility (piped) gas were unchanged. During the previous 12 months, shelter costs rose 1.7 percent, but charges for fuels and utilities fell 9.1 percent. Combined with a 0.2-percent price increase in household furnishings and operations, these annual movements left the total housing index 0.3 percent below a year ago.

Apparel costs provided the next largest contribution to the area's overall price change, falling 5.2 percent in November and December following a 2.3-percent rise in September and October. Lower prices were registered for many items, but seasonal discounting was most notable among girls' apparel and men's shirts and sweaters. Despite registering declines in three of the previous four bimonthly periods, total apparel costs rose 0.8 percent over the year.

Food and beverage prices fell for the fifth consecutive two-month period, decreasing 0.5 percent in November and December. The decrease was the result of lower prices for food at home, food away from home, and alcoholic beverages. Over the year, prices for food at home were down 4.8 percent, while prices for food away from home advanced 0.3 percent and costs for alcoholic beverages rose 1.2 percent. These movements combined for a 2.1-percent decline in the overall food and beverages index, marking the second largest decrease on record since the series inception in 1975.

The recreation index fell 1.3 percent during November and December with lower costs noted for televisions. The cost of recreation has not recorded an increase since May and June of this year, leaving the recreation index 0.9 percent below a year ago.

Education and communication costs fell 0.4 percent in November and December following a 1.5-percent increase in the previous two-month period. During the last 12 months, the education and communication index increased 1.3 percent.

Increases were recorded in the three remaining major categories and combined to offset a portion of the bimonthly decreases. The transportation index increased 1.1 percent in November and December after falling 1.0 percent in September and October. The gain was primarily the result of higher prices for gasoline (5.5 percent), but increases in used car and truck prices as well as airline fares also contributed. During the 12 months ended in December 2009, gasoline costs rose 56.4 percent, the largest yearly increase registered since September 2005. Primarily on the strength of this annual rise in gasoline costs, the transportation index rose 13.5 percent for the year ended in December 2009.

The index for other goods and services – which includes such diverse items as tobacco products, personal care products, and miscellaneous personal services – increased 1.4 percent in November and December. The advance was due in part to higher prices for funeral expenses. Over the year, the cost of other goods and services increased 7.9 percent.

Medical care costs edged up 0.1 percent in November and December following a 0.4 increase in September and October. During the last 12 months, medical care costs were up 5.5 percent.

The CPI-U for the Houston-Galveston-Brazoria area stood at 190.932 on the 1982-84=100 reference base, meaning that a market basket of goods and services that averaged \$100.00 in 1982-84 would have cost \$190.93 in December 2009.

Year in review

After registering small annual rates of change throughout much of 2009 – both positive and negative – the rate of increase in the Houston CPI accelerated to 2.7 percent during the latest 12-month period. This compared to a 0.2-percent decline in 2008. The current annual increase was largely due to a sharp turnaround in the transportation index which rose 13.5 percent in 2009 after decreasing 17.9 percent in 2008. This positive turn for the transportation index follows annual declines from December 2008 through October 2009, a period that included a record two-month decline in November and December 2008.

Three other categories registered less dramatic reversals in 2009. Due to annual declines in grocery stores prices, the food and beverage index fell 2.1 percent in 2009 compared to a 6.0-percent rise in 2008. Housing costs fell 0.3 percent after increasing 7.1 percent in 2008. Each of the housing sub-components contributed to the turnaround, but household energy costs were the most important factor; these costs dropped 9.1 percent in 2009 after climbing 16.2 percent in 2008. The apparel category also registered a turnaround, but in the opposite direction, as clothing prices rose 0.8 percent in 2009 after falling 5.3 percent a year ago. Two categories, medical care and other goods and services, registered accelerated gains in 2009 compared with 2008 while a third category, education and communication, registered a decelerated gain over the year. Recreation costs declined for the second consecutive year, though at a slower pace, falling 0.9 percent in 2009 compared to a 2.7-percent decrease in 2008.

The Houston-Galveston-Brazoria, Texas, Consolidated Metropolitan Statistical Area (CMSA) includes Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, and Waller Counties. Local area CPI indexes are by-products of the national CPI program. Because each local area index is a small subset of the national index, the sample size is smaller and therefore subject to substantially more sampling and other measurement error than the national index. In addition, local indexes are not adjusted for seasonal influences. As a result, local area indexes show greater volatility than the national index, although their long-term trends are quite similar.

Next Release Date: January 2010 Consumer Price Indexes for Energy, Food At Home, and Shelter for Houston-Galveston-Brazoria will be released on February 19, 2010.