

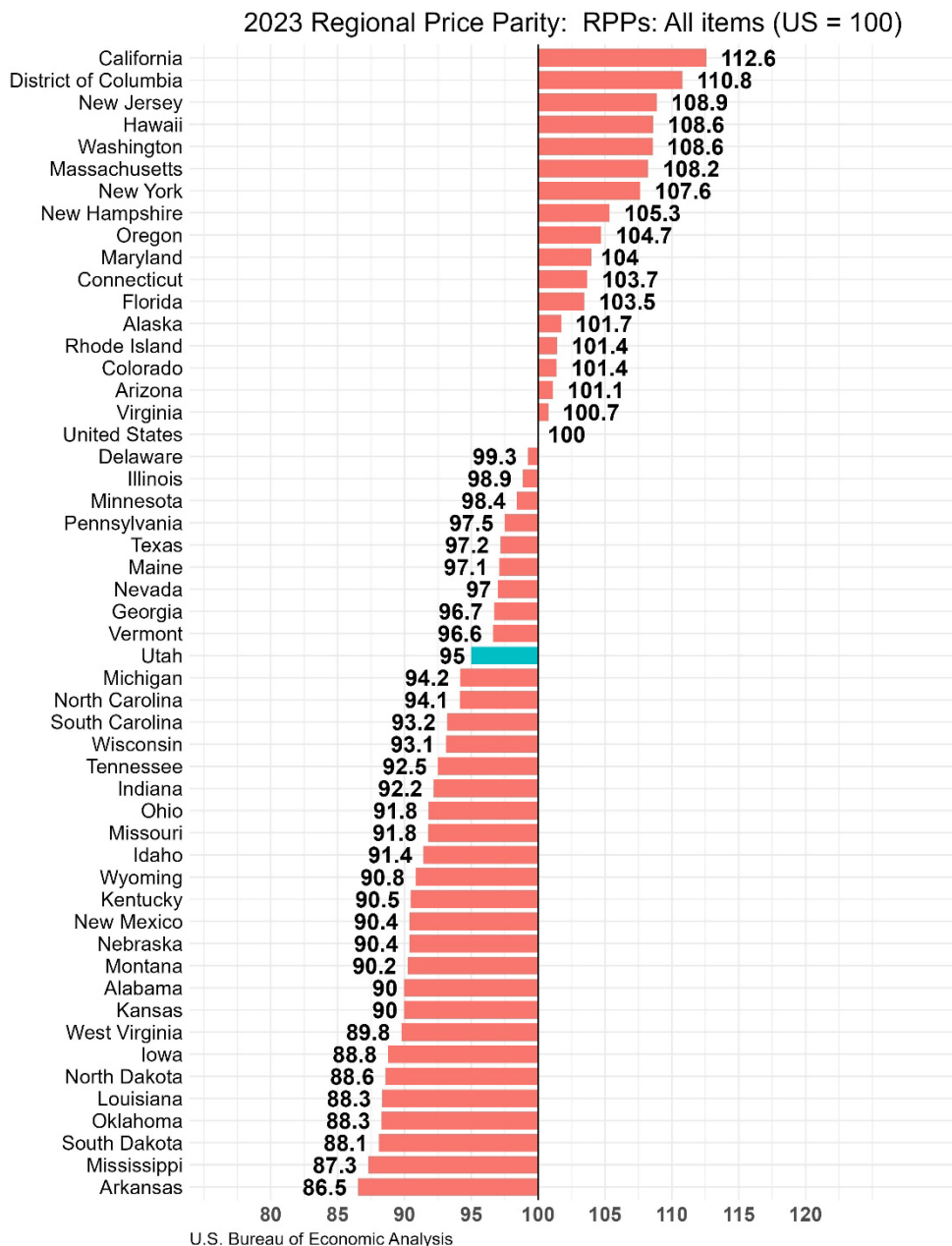
Understanding Regional Price Parities

Henry Pernichele, Senior Economist

The value, or purchasing power, of a dollar is often determined by two things: location and time. As the supply of money increases over time, and holding other influences constant, the value of the money decreases, a term economists call inflation. Much like how a dollar in 1980 had more buying power than that same dollar today, purchasing power is not uniform across the entire United States. Areas of higher demand or lower supply for a given good or service have higher relative prices due to regional scarcity.

For example, large metropolitan urban areas often have disproportionately high housing prices as demand outpaces the available supply, making the value of a dollar with respect to housing in these areas less compared to a lower density area.

To understand and measure these regional variations in purchasing power, the U.S. Bureau of Economic



Analysis estimates Regional Price Parities (RPPs). RPPs measure the price level of various goods and services across states and metro areas each year, expressing them as a percentage relative to the national average set at 100.

This method provides important context when examining the purchasing power of the average individual at different locations in the U.S. Regional price parties can be coupled with nominal median wages to estimate the real purchasing power of wages in different areas.

For example, California had the nation’s highest RPP of 112.6 in 2023, which means the cost of living is 12.6% higher than the national average. When comparing California’s median annual wage of \$51,438 in 2023 to the US median wage of \$48,060, the increased cost of living results in the average Californian’s true purchasing power being approximately 5% lower than the nations.

The most recent data shows Utah has an all items RPP of 95. This means that the average cost of goods and services in Utah is 5% lower than the national average. When looking into the specific categories the BEA uses to determine RPP’s, Utah has a lower RPP in the goods, other categories, and utilities categories, with the latter having a RPP of 72.9, meaning utility prices are 27.1% lower than the national average. These low RPP values are somewhat offset by above average housing costs with an RPP of 106.2. While Utah’s median annual wage, at \$47,020, is 2.2% lower than the national median annual wage, the state’s RPP of 95 means that Utahns’ purchasing power is 3% higher than the nation. In other words, although the median Utahn makes less money than the national median, due to lower prices, that money will go 3% further in Utah than the median national wage would in a place with prices at the national average.

Looking at individual metro areas in the state reveals that each metro area in Utah has an overall RPP below 100, with the Logan area having the lowest overall RPP of 92.9. The Logan MSA is notable as the only metro area in Utah with a RPP below 100 in all categories.

Utah Regional Price Parities by Metro Area, 2023

	Median Wage	All items	Goods	Housing	Utilities	Other*	Adjusted Wage
Ogden	\$45,930	95.1	93	107	73.3	94.4	\$48,297
Provo-Orem-Lehi	\$45,700	95	93	107.4	72.7	94.4	\$48,105
St. George	\$40,080	96.1	93	110.4	71.6	94.4	\$41,707
Salt Lake City-Murray	\$49,440	96.4	93	118.6	72.9	94.4	\$51,286
Logan**	\$42,130	92.9	93.1	92.2	72.9	94.3	\$45,350
State of Utah	\$47,020	95	93	106.2	72.9	94.4	\$49,495

Source: Bureau of Economic Analysis, Bureau of Labor Statistics

* “Other” refers to services outside of housing and utilities such as education and healthcare

** Logan MSA includes Franklin County, ID

Despite above average housing prices, the lower prices of goods and utilities make Utah, on average, a more affordable state than the rest of the nation. The importance of affordability has helped fuel long-term growth, with low relative prices attracting people and business to the state. These below average prices help explain Utah’s high economic rankings and position the state well going into the future.