

Current Inflation Conditions Impacting Community Associations

Construction Costs vs. Consumer Prices	6 Mth Trend	% Change from Year Ago	5 Year Average	10 Year Average
CPI – Consumer Price Index	Down	3.75%	4.00%	3.23%
PPI – Construction Materials	Flat	-0.72%	7.80%	4.68%
PPI – Construction Labor	Up	1.29%	3.54%	3.23%

Review inflation assumptions in reserve studies, capital budgets, contracts and construction projects. The Producer Price Index may better predict increases than the Consumer Price Index. Note, the information indicated above is reported monthly and/or quarterly by the Federal Reserve your reserve provider may use a blended inflation figure.

Considerations and Best Practices

- ❖ Consult with your reserve professional to determine if adjustments to your reserve study are warranted due to shifting economic conditions.
- ❖ Inflation erodes the buying power of reserve cash faster than rising interest earned on those reserve funds can increase balances.
- ❖ When inflation is greater than financing rates, exploring a loan can be a wise endeavor to avoid project delays.
- ❖ Compounding effects of rising inflation should motivate acceleration of projects, not delay them.
- ❖ Impact of inflation can vary greatly by industry and location, especially related to labor and materials.
- ❖ Current labor shortage in community association industry has labor costs rising much faster than inflation indices.

For additional best practices please visit <https://foundation.caionline.org/best-practices>

Data Sources: Federal Reserve Inflation Data as of 12/31/2024 from Economic Research Division of St. Louis Federal Reserve Link: <https://fred.stlouisfed.org>. Data is available quarterly in arrears.