Misery Index: 2012 Q3

The Misery Index is an indicator measuring the impact of changing economic conditions on people. This index, as calculated by CEDBR, is a combination of the quarterly percent change in the Housing Price Index (HPI), the quarterly average change in the Consumer Price Index (CPI), and the quarterly average unemployment rate (UR). The combination of changes in these factors indicates the changing level of economic misery experienced by people in different geographic areas.

Between the second and third quarters of 2012 the general level of misery experienced by people in the United States, Kansas, and all metropolitan areas in Kansas increased. This can be attributed to a decreased value of homes and an increased level of unemployment in all areas, except Wichita, where the average unemployment level was unchanged. The slight decrease in the general level of prices was not enough to offset the deterioration of the other two indicators.

Within the region, people in Omaha were the only residents to experience a decreased level of economic misery, which is attributed to a decrease in the quarterly average unemployment rate. Topeka and Oklahoma City residents had the largest increase in misery, at 4.75 and 3.42 percent,
respectively. St. Louis and Wichita residents experienced the highest levels of misery in the region at 7.68 and 7.12 index points, respectively.

For comparison, the misery index for four metropolitan areas similar to Wichita in population, demographics, and industrial mix are also provided. Within these communities, Akron and Greenville citizens experienced a decrease in misery due to decreased levels of unemployment in both areas. People living in Greenville had the highest level of misery among the peer communities. People in Wichita had the second highest level of misery among the peer communities, showing a slight increase from the second quarter.

Although there was an increase in economic misery in most areas between the second and third quarters of 2012, the quarterly increase was not significant enough to change the trajectory of the annual average misery rates. In all areas the average annual rate for the period ending September 2012 was lower than the period ending June 2012.
Methodology

The Misery Index calculated by the Center for Economic Development and Business Research (CEDBR) includes the following information:

- The Consumer Price Index (CPI) from the Bureau of Labor Statistics¹
- House Price Index (HPI) from the Federal Housing Finance Agency²
- Unemployment Rates (UR) from the Bureau of Labor Statistics³

Not seasonally adjusted, monthly data values for the Consumer Price Index – All Urban Consumers were used to calculate the quarterly inflation rates. The specific indices used are as follows. U.S. city average, with a base period of 1982-84, was used for the United States inflation rate. Midwest urban, with a base period of 1982-1984, was used for the Kansas inflation rate. Midwest – Size Class A, with a base year of 1982-84, was used for the Kansas City and St. Louis metropolitan areas inflation rates. Midwest – Size Class B/C, with a base year of December 1996, was used for the Wichita, Topeka, Lawrence, Grand Rapids, Omaha, Akron, Oklahoma City and Tulsa metropolitan areas inflation rates. Northeast urban – Size Class B/C, with a base period of December 1996, was used for the Lancaster metropolitan area inflation rate. South – Size Class B/C, with a base period of December 1996, was used for the Greenville metropolitan area inflation rate.

The HPI is a measure of single family home prices within specific areas. This series is used because the index is produced for a wide range of geographic areas. The CEDBR used the “All-Transactions Index” values for each respective area. The percentage change from the previous quarter was used in the Misery Index. The HPI is a positive indicator for consumers. Therefore, if the HPI is increasing, the Misery Index will decline.

The CEDBR used not seasonally adjusted, area specific, unemployment data (the official unemployment rate) to calculate the Misery Index. The unemployment rate is a negative indicator for consumers. Therefore, if the unemployment rate is increasing, the Misery Index will also increase.

For additional information and methodology details please click HERE.