Policy Report: Inflation Dynamics and Cost of Living in Michigan

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EXECUTIVE SUMMARY

We surveyed 1,000 Michigan residents regarding their perceptions of price inflation for the period of 2019-2024 for overall prices, restaurants, groceries, gasoline prices and housing costs in order to answer three inflation/cost-of-living related questions: (i) What are Michigan's food-at-home and gasoline price dynamics over the last five years? (ii) How well do the perceptions of Michigan residents regarding inflation align with actual price changes in these goods? (iii) What demographic or socioeconomic factors influence these inflation perceptions?

Our findings show that over this five-year period, statewide average gasoline price rose by 18%, increasing from $2.57 to $3.03 per gallon, with notable regional variation. At the city level, Bay City experienced the largest increase at 25%, while Muskegon–Norton Shores saw the smallest change at 12%. Despite being one of the largest and fastest-growing metropolitan areas in the state, Grand Rapids recorded a relatively modest increase of 19%. Meanwhile, the CPI-U rose by 30% between 2019 and 2024, with a steep two-year surge from October 2020 to October 2022.

When comparing perceived and measured inflation, the prevailing view is that prices rose significantly between 2019 and 2024. However, perceptions vary depending on the item. Groceries and restaurant prices stand out, with over 74% of respondents reporting that these prices increased “a lot.” Overall, most respondents correctly identified that prices have risen substantially across all categories, which aligns with the observed relatively high inflation rates. However, there appears to be a mismatch between the actual inflation rate and how people perceive inflation. One possible reason is purchasing frequency: items bought more regularly—like groceries—tend to make price increases more noticeable than less frequent purchases, such as housing.

The regression results reveal that political affiliation is the most influential and statistically significant factor that explains differences in inflation perceptions. Holding other factors constant, Republicans are substantially more likely than independents (or others) and Democrats to perceive that prices have increased. Additionally, women are more likely than men to report higher inflation. Other demographic characteristics, including income, urban-rural status, and age, do not show statistically significant associations with inflation perceptions in the regressions.

Regarding the outreach activities, our study has garnered attention from a range of stakeholders across Michigan. Initial findings were shared in the IPPSR forum, “A Tale of Two Economies,” where legislative staff engaged with Ye-Rim Lee and Mark Skidmore regarding the findings of the study. We also contributed a column to *The Ag Economist*, a Michigan State University Department of Agricultural, Food, and Resource Economics publication highlighting our research. Our findings were shared by Professor Alan Ker at a presentation to the Michigan Food Processors Association. In addition, Fernanda Alfaro and Ye Rim presented a summary of our work at the Mid-Continent Regional Science Association conference,

where the ordered logistic analysis sparked conversations about the political dimensions of inflation perceptions.

OVERVIEW OF THE CHALLENGE

Although inflation affects nearly everyone, its impact is uniform. Klick and Stockburger (2021) find in their ongoing study that lower-income families are disproportionately affected by inflation, largely due to their limited ability to substitute goods. In contrast, higher-income households tend to experience inflation rates below the national average. Despite growing recognition of these disparities, relatively little attention has been paid to how individuals perceive them—an important yet underexplored dimension of the inflation experience.

An increased understanding of inflation perceptions provides valuable insights into individuals' expectations about economic stability—expectations that influence intertemporal decisions such as saving, investing, and consumption. Recent research has shown that personal characteristics help explain inflation perception biases (Abildgren and Kuchler, 2021). Additionally, studies in the political science arena have linked political affiliation to how people perceive inflation (Binetti, Nuzzi, and Stantcheva, 2024). Their findings suggest that partisanship can shape how individuals interpret economic conditions, even when facing the same price changes.

This emerging line of research highlights the growing importance of tracking and interpreting inflation perceptions—especially in today's politically polarized environment. These insights are particularly relevant for swing states like Michigan, where economic sentiment may have a direct impact on electoral outcomes.

MICHIGAN CONTEXT

Inflation and the rising cost of living have become pressing concerns for Michigan residents over the past five years. During this period, many families have struggled to stay financially afloat, particularly when it comes to covering basic household expenses. For instance, Clean Water Action (2023) reports that one in ten Michigan families has difficulty paying their water bills. Meanwhile, rising housing costs have emerged in fast-growing cities such as Ann Arbor and Grand Rapids (Wattrick, 2024). In some cases, instead of alleviating these challenges, policy decisions may have worsened them. For example, in October 2023, the state senate passed three energy bills that could increase the average annual electricity bill by up to $2,746 (Wetzel, 2024).

With multiple sources of price pressures, the findings of our study provide policymakers with insights into which areas of the cost of living are felt most acutely by Michigan residents. In addition, it is

essential to identify which socio-demographic groups have been most affected by rising prices in order to better target and design effective relief and mitigation policies.

Due to the limited availability of data on prices and inflation perceptions, our study contributes new insights by matching the survey findings with novel gasoline price data and the Consumer Price Index for all Urban Consumers. (CPI-U, henceforth simply CPI) taken from the Bureau of Labor Statistics. To capture subjective inflation perceptions, we use data from the 2024 State of the State Survey conducted across Michigan.

RESEARCH QUESTIONS AND OBJECTIVES

To explore the dynamics of inflation and inflation perceptions in Michigan, we compared data on price fluctuations with residents' inflation perceptions of essential commodities like fuel and food-at-home. We focus on these items as they directly affect everyone's daily life and are key indicators of economic conditions. The project is structured around three main questions. These questions along with their respective objectives and methodologies are summarized in Table 1.

Table 1: Research Questions, Objectives and Methodology to Capture Inflation Perceptions

Question	Objective	Methodology
What is Michigan's food-at-home and gasoline price dynamics over the last five years?	To identify, describe, and analyze the trends and fluctuations in the prices of gasoline and food-at-home over the selected period.	Descriptive temporal analysis, tracking price movements from 2019 to 2024 at the city level; capturing localized economic impacts and variations.
How well do Michigan residents' inflation perceptions align with actual price changes in these goods?	To evaluate the accuracy and divergence of public perceptions regarding inflation in essential commodities.	We will develop and employ an inflation classification to detect the gap between actual price changes and public perceptions of these changes.
What demographic or socioeconomic factors influence perceived inflation?	To reveal which factors are most influential in shaping different groups' inflation perceptions.	We will employ a multinomial logit model. The dependent variable is the categorical perception of inflation, explained by socio-demographic factors, political orientation, and educational attainment.

Source: author's creation.

DESCRIPTION OF THE PRICE DATA

To examine historical price dynamics and their impact on the cost of living in Michigan, we conducted a temporal analysis of gasoline and food-at-home prices from 2019 to 2024. This analysis focuses on city-level data to capture localized variation.

For fuel prices, we web-scraped daily average gasoline prices for the state of Michigan and 16 major cities[1] from December 2019 to December 2024, using data from GasBuddy.com, a crowd-sourced platform that collects real-time retail fuel prices across the United States. Over this five-year period, the statewide average gasoline price rose by 18%, increasing from $2.57 to $3.03 per gallon (see Figure 2).

To describe the dynamics of food-at-home prices, we use the Consumer Price Index for All Urban Consumers (CPI-U) from the Bureau of Labor Statistics, based on data collected from the Detroit–Warren–Dearborn area. While we initially planned to complement this with scanner data on food-at-home prices—such as 2%-gallon milk—from the USDA Economic Research Service (ERS), limitations in geographic coverage and data consistency at the county and state levels prevented representative calculation of median prices. The CPI-U reveals a 30% increase from 2019 to 2024, with a steep two-years surge between October 2020 until October 2022.

DESCRIPTION OF THE STATE OF THE STATE SURVEY

We collected inflation perception data using the State of the State Survey (SOSS), conducted by the Institute for Public Policy and Social Research (IPPSR) at Michigan State University during the Fall semester of 2024. The survey is administered to a random sample of approximately 1,000 Michigan residents through a combination of online and phone interviews, with data collection typically spanning 8 to 10 weeks. The survey provides broad geographic coverage, reaching 75 of Michigan's 83 counties. Figure 1 illustrates the geographic distribution of respondents by counties with rural-urban classification. Among respondents, 83% reside in metropolitan areas, 7.5% in micropolitan areas, 4.5% in small towns, and 5% in rural parts of the state.

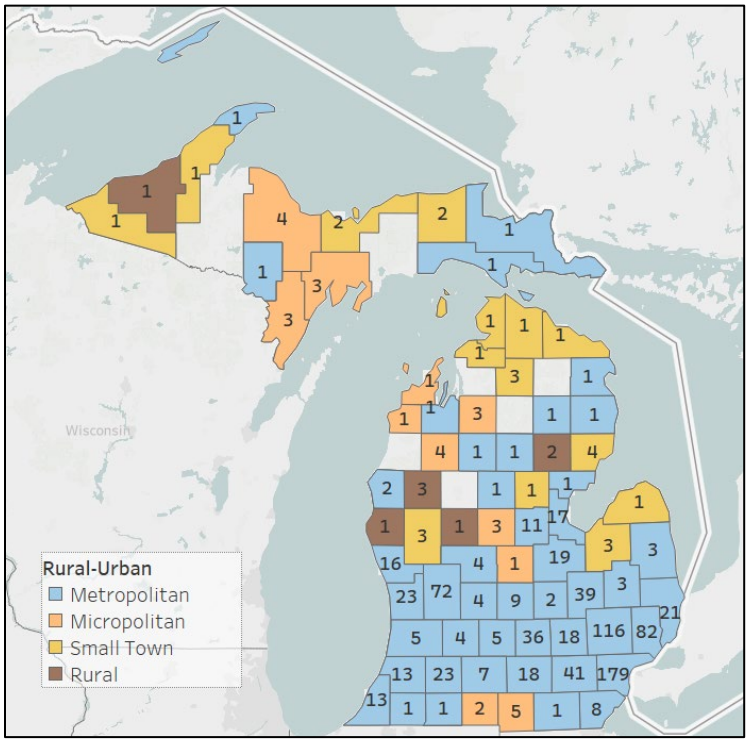
In terms of demographic variables, more than half of the surveyed identify as female, specifically, 55% of respondents, whereas 45% identify as male. Regarding political affiliation, the most frequent partisanship is Democrats with a 34%, followed by 33% as independents and 29% as Republicans. An additional 4% reported affiliation with another/or third parties. We included questions about their perceptions of inflation in key categories such as food, gasoline, housing, and dining out, against the backdrop of perceived price surge. The details are discussed later in subsection 2.

When it comes to their current financial situation, 37% of respondents report being in "good to excellent" condition, while 36% describe their situation as "just fair." The remaining 27% perceive their

[1] The analysis includes daily gasoline prices for the following 16 cities in Michigan: Bay City, Grand Rapids, Saginaw, Jackson, Battle Creek, Lansing, Edwardsburg, Warren–Troy–Farmington Hills, Detroit, Kalamazoo, Flint, Midland, Ann Arbor, Benton Harbor, Monroe, and Muskegon–Norton Shores.

financial circumstances as “not so good to poor.” When asked to compare their finances to a year ago, 43% believe they are worse off, and 48% expect their financial situation to remain about the same in the near future. Regarding inflation expectations, 40% of respondents anticipate that the inflation rate will increase, 32% believe it will remain steady, and 28% are hopeful that it will decline.

Figure 1: Map of Survey Respondents



Source**:** Author’s own creation using the SOSS survey. The number of respondents is shown within each county. Blue counties represent urban areas, orange counties represent micropolitan areas, yellow counties indicate small towns, and rural areas are shown in brown.

RESULTS

Subsection 1: 5-years Price Trends

Based on the temporal analysis of retail gasoline prices across 16 Michigan cities from December 2019 to December 2024, we observe meaningful variation over time and geography in both the magnitude and pace of price changes. Figure 2 shows the monthly trend in Michigan’s average retail gasoline prices during the period.

The chart highlights substantial volatility over the five-year period. At the end of 2019, gasoline prices averaged $2.57 per gallon, before sharply dropping to a pandemic-era low of $1.48 in April 2020. Prices then steadily rebounded through 2021 and surged to a peak of $5.11 in June 2022, likely driven by global supply chain disruptions, recovery demand, and geopolitical tensions, including the Russia-Ukraine war in February 2022. Following this peak, prices declined but remained elevated relative to pre-pandemic levels, ending at $3.03 in December 2024. The overall trajectory implies both the COVID crisis-induced shock and the persistent inflationary environment that followed.

Figure 2: Temporal Evolution of Gasoline Prices in Michigan

Source: Author's own creation using GassBuddy.com price data. Not seasonally adjusted.

We also observe meaningful spatial variation in both the magnitude and pace of price changes. Bay City experienced the highest relative price increase at 25%, with a $0.59 rise over the period. Despite its smaller population, this sharp uptick stands out in contrast to larger urban centers. Grand Rapids saw a 19% increase and a $0.48 rise in prices, marking the largest absolute gains among the sample. Other cities such as Saginaw, Jackson, and Detroit posted increases around 17–18%, closely aligning with the statewide average. Detroit, the most populous jurisdiction in the sample, recorded a 17% increase.

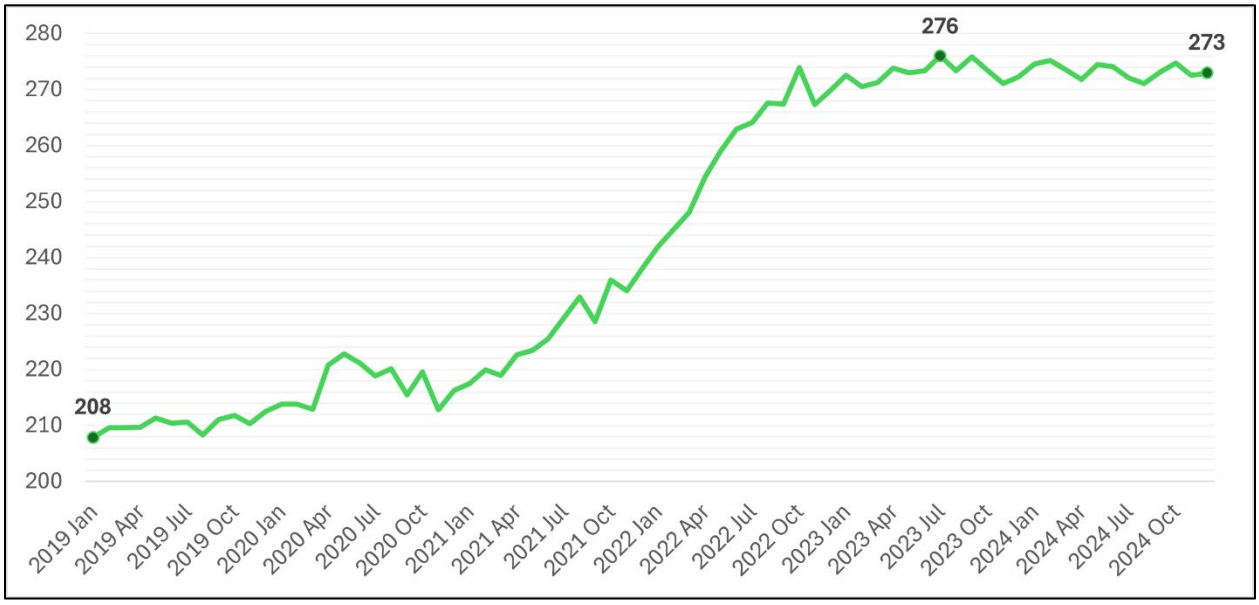
On the lower end, Muskegon–Norton Shores experienced the smallest increase at 12%, with a $0.31 change over the five years. Other cities such as Monroe, Benton Harbor, and Ann Arbor recorded more moderate increases between 14% and 16%. These findings suggest that although statewide inflationary pressures were broadly felt, the intensity of gasoline price increases varied across cities and counties. These localized trends underscore the importance of considering geographic and demographic

heterogeneity when analyzing cost-of-living experiences and fuel-related inflation dynamics at the sub-state level.

In addition to fuel prices, food-at-home prices have also exhibited a pronounced upward trend over the past five years. According to CPI-U data in the Detroit–Warren–Dearborn area, the index for food-at-home items rose from 208 in January 2019 to 273 by the end of 2024, reflecting an approximate 31% increase in grocery prices. These values are reported as index numbers with a base period of 1982–1984 = 100, meaning prices in 2024 were roughly 173% higher than in the early 1980s.

As shown in Figure 3, the index remained relatively stable through 2019 and early 2020, followed by a sharp acceleration beginning in mid-2021. This increase continued through 2022, peaking at 276 in July 2023. Although prices stabilized somewhat in 2023 and 2024, they remained elevated compared to pre-COVID crisis levels, ending just slightly below the peak at 273 in late 2024. This sustained increase in prices implies the persistent inflationary pressures in essential household goods, particularly food, driven by factors such as supply chain disruptions, rising input costs, and broader macroeconomic shocks, including those triggered by the COVID crisis and the global commodity shocks of 2022.

Figure 3: Temporal Evolution of Food-at-Home Prices in Michigan



Source: Author's own creation using BLS CPI-U data for Detroit–Warren–Dearborn area. Not seasonally adjusted.

Subsection 2: The Inflation Gap: Perceive Inflation Compared to Measured Inflation

To compare perceived and actual inflation, we developed a straightforward framework that classifies five-year cumulative price changes based on widely accepted annual inflation categories. Using the Federal Reserve's 2% annual inflation target as a benchmark (Board of Governors of the Federal Reserve System, 2020), we define inflation as low when it falls below 2% and high when it exceeds 2%. In the extreme case of deflation, we classify as negative any inflation rate below 0%. The first two columns of Table 2 summarize this classification scheme.

Table 2: Objective Inflation Classification

Classification	Annual Rate	5-Years Accumulated Rate	Perception Match: Compared with 5 years ago, 2024 prices are...
Negative	Less than 0 %	Less than 0%	Lower
Low	Between 0% to 2%	Between 0% to 10.4%	The same
Optimal	2%	10.4%	A little higher
High	Above 2%	Above 10.4%	A lot higher

Source: Author's own work.

In the third column of Table 2, we report the five-year cumulative inflation rate corresponding to each annual rate classification, calculated using Equation 1, where rs the annual inflation rate (e.g., 0.02 for 2%) and n represents the number of years (in this case, 5). In the fourth column, we align respondents' inflation perceptions with the cumulative inflation rates that would be implied if their perceptions were accurate. For instance, if a respondent believes that prices are lower today than five years ago, this indicates deflation—implying a negative inflation rate. Similarly, if respondents perceive prices as nearly unchanged, this suggests low inflation, corresponding to a cumulative five-year rate below approximately 10.4%.

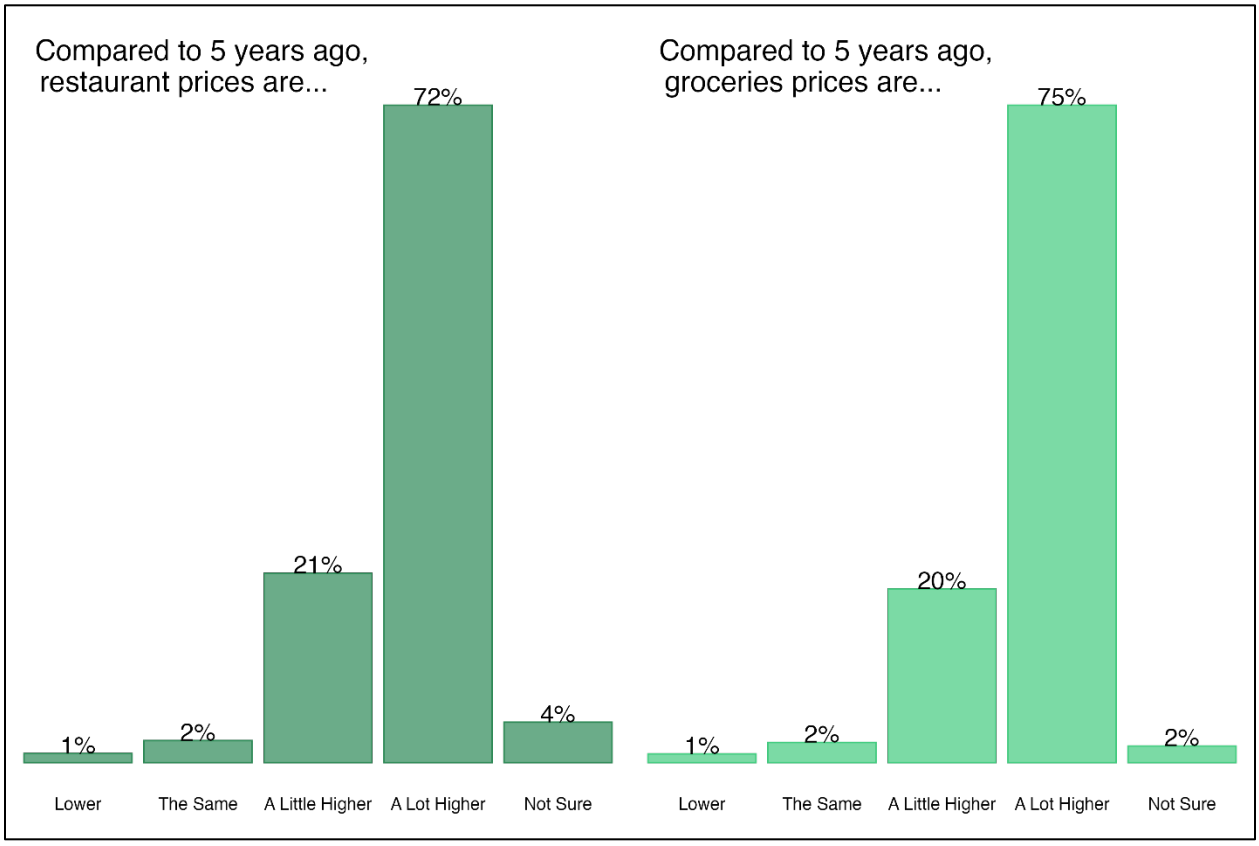
$$\text{Cumulative Inflation} = (1 + r)^n - 1 \quad (1)$$

In the survey, respondents were asked to provide their perception of price changes over the past five years across five key categories: restaurant food, groceries, housing costs (including rent, mortgage, and taxes), gasoline, and overall prices. For each category, participants could indicate whether prices were lower, about the same, a little higher, or a lot higher. An additional option, "Don't know / not sure", was available for respondents who were uncertain. A summary of inflation perceptions by category is presented in Figures 4 to 6.

The inflation perceptions for restaurant and grocery prices over the past five years are remarkably similar. In both categories, only 1% of respondents believe that prices in 2024 were lower than in 2019, while 2% reported that prices remained the same. Approximately 21% and 20% of respondents perceived prices as "a little higher" for restaurants and groceries, respectively. The majority of responses in both cases fell into the "a lot higher" category—72% for restaurants and 75% for groceries. Lastly, 4% of respondents were unsure about restaurant price changes, compared to 2% who expressed uncertainty regarding grocery prices.

We also observe a similar distribution of perceptions for gasoline prices and housing costs, as shown in Figure 5. Half of the respondents (50%) believe that gasoline prices are "a lot higher" than five years ago, while 32% say they are "a little higher." Notably, compared to food prices, a greater share—over 10%—perceive that gasoline prices have remained about the same since 2019. Meanwhile, 4% are unsure, and 3% report a decline in prices. For housing costs, 48% of respondents perceive a significant increase ("a lot higher") and 32% report a moderate increase ("a little higher"). Additionally, 16% believe housing costs have remained unchanged, 2% perceive a decrease, and 5% are unsure.

Figure 4: Perceptions of Restaurant and Grocery Price Increases

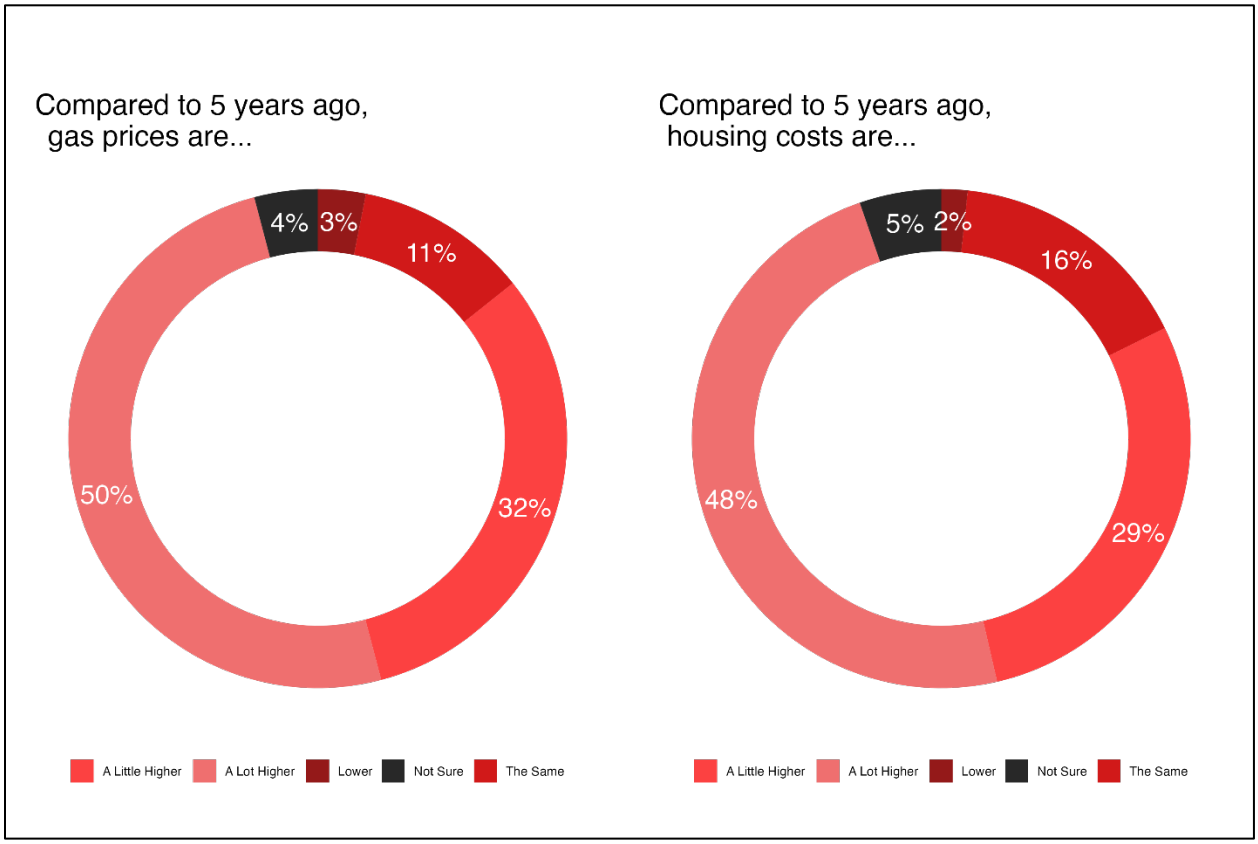


Source: Author's own creation using SOSS survey data.

Finally, we examined the distribution of perceptions regarding overall price increases, as shown in Figure 6. As expected, a majority of respondents (69%) perceived that overall prices have increased "a lot," while 26% believed prices have gone up "a little." The remaining 5% reported that prices have either remained the same (2%), decreased (1%), or were uncertain (2%). Overall, the dominant perception is that prices rose significantly between 2019 and 2024. However, inflation perceptions vary depending on the specific item in question.

The survey shows that perceived inflation is more pronounced in food-related items, such as dining out and groceries, compared to gasoline and housing costs. A larger share of respondents reported that gasoline and housing costs have increased “a little,” a perception less common for food items. The corresponding objective measures of inflation for these categories are presented in Table 3.

Figure 5: Perceptions of Gasoline Price and Housing Cost Increases



Source: Author's own creation using SOSS survey data.

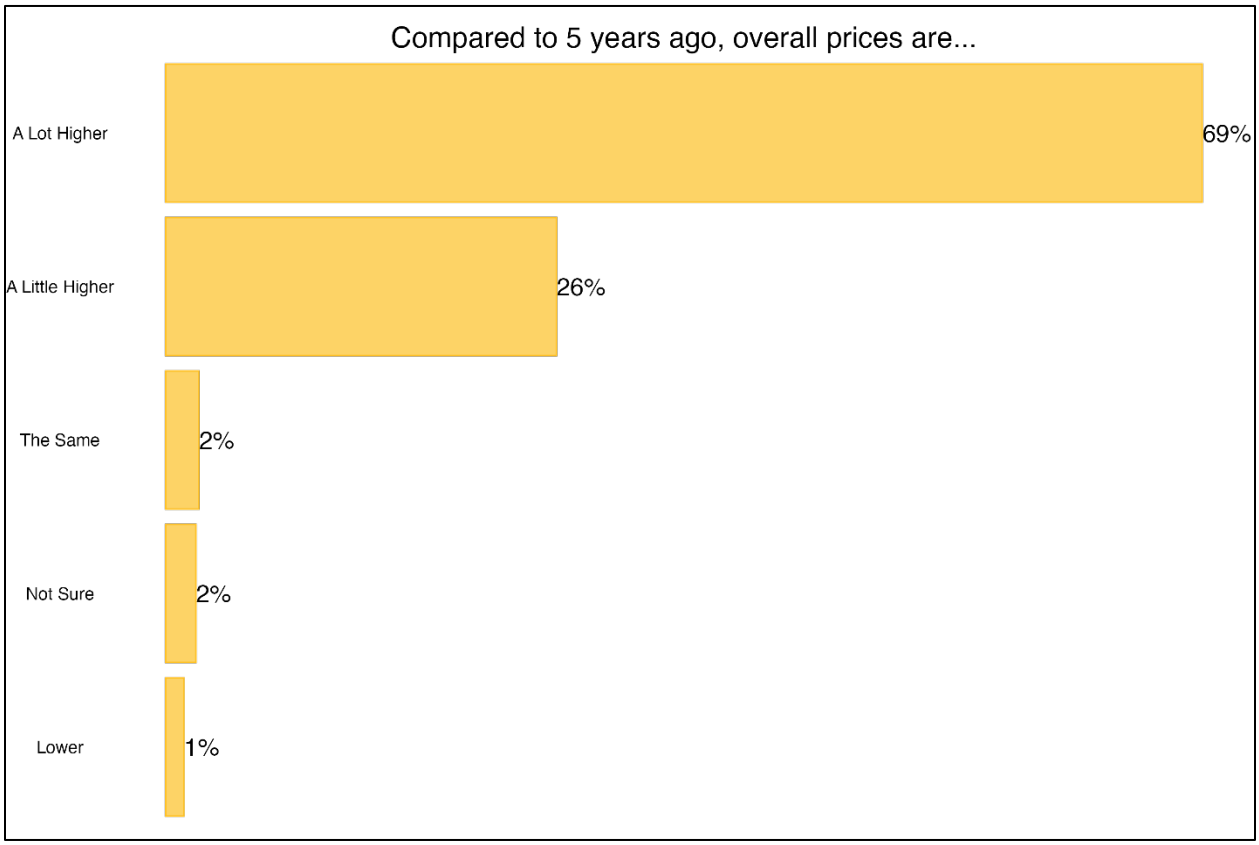
In the first column from Table 3, we list the five categories analyzed: overall, restaurant, groceries, gasoline prices, and housing costs. In the second column, we report the measured inflation for each category, calculated as the percentage increase from 2019 to 2024. For overall, restaurant, and grocery prices, we use the Consumer Price Index (CPI) data available at the Bureau of Labor Statistics. Gasoline price changes are based on Michigan's regular unleaded gasoline data from GasBuddy over the same period. For housing costs, we use the Housing Price Index (HPI) from the Federal Housing Finance Agency to compute the corresponding percentage increase.[2]

Generally, most respondents accurately perceived a significant increase in prices over the past five years, with the majority reporting that prices have gone up "a lot" across all categories—consistent with the measured high inflation levels. However, there appears to be a disconnect between the actual magnitude

[2] The CPI is based on the Detroit-Warren-Dearborn prices, whereas the gasoline prices were scraped from the principal cities and towns in Michigan.

of inflation and the frequency of these perceptions. For instance, groceries had the highest share of respondents (75%) reporting “a lot higher” prices, followed closely by restaurants (73%). Yet, based on the measured inflation rates, food prices fall in the middle of the inflation range. In contrast, housing costs saw the greatest actual price increase since 2019, but only 48% of respondents reported that these prices were “a lot higher”—the lowest frequency among all categories. The case of gasoline prices seems to align best with the perceived and measured inflation.

Figure 6: Overall Perceptions of Price Increases



Source: Author's own creation using SOSS survey data.

Table 3 Classification of the Measured Inflation

Item	Measured Inflation	Classification
Overall	24%	High
Restaurant	26%	High
Groceries	30%	High
Gasoline	18%	High
Housing	49%	High

Source: Author's own creation using GassBuddy.com data and BLS CPI.

A possible explanation is based on the purchase periodicity. Groceries are typically purchased on a weekly or monthly basis, making consumers more immediately aware of any price surge. In contrast, housing costs—particularly home purchases—are infrequent, often once-in-a-lifetime transactions, making price changes less salient. Additionally, in certain parts of Michigan, property tax regulations limit how much housing costs can go up. For example, Proposal A caps property tax increases at either the inflation rate or 5%, whichever is lower. To some degree, this policy limits the extent to which housing cost increases are felt directly by homeowners, thereby potentially muting inflation perceptions in this category over time.

Subsection 3: Factors Influencing Perceptions

To examine the socio-demographic determinants of inflation perceptions, we estimate an ordered logistic regression model using data from the State of the State Survey. The dependent variable is an ordinal measure capturing respondents' perceptions of price changes over the past five years (2019-2024), categorized into four levels: "Lower," "The same," "A little higher," and "A lot higher. Respondents who selected "Don't know/Not sure" were excluded to ensure clarity and interpretability of the outcome categories.

The ordered logit model is well-suited for this analysis because it accounts for the ranked nature of the dependent variable—individuals' perceptions of inflation. This model estimates the probability that a respondent selects a particular response category or any category below it, based on their characteristics such as age, gender, income, political affiliation, and residential location (urban vs. rural, based on RUCA codes).

The model works by defining thresholds between the four response categories: "Lower," "The same," "A little higher," and "A lot higher." Specifically:

- $j = 1$ is the cutoff between "Lower" and "The same or higher,"
- $j = 2$ is the cutoff between "Lower" or "The same" and "A little higher or A lot higher,"
- $j = 3$ is the cutoff between all the lower categories and "A lot higher."

Using these thresholds, the model calculates the likelihood that respondent perceptions of inflation falls at or below each level, depending on their socio-demographic background. Formally, the ordered logit model estimates the cumulative probability that respondent i's perception, Y_i, falls into category *j* or below as:

$$Pr(Y_i \leq j) = \frac{1}{1+exp\left[-(\alpha_j - X_i\beta)\right]}, \quad j = 1,2,3 \tag{2}$$

where α_j represents the estimated cut points between adjacent categories and β is a vector of coefficients associated with the explanatory variables.

Table 4 presents the results of the ordered logistic regression in the form of odds ratios, which provide an intuitive interpretation. An odds ratio (OR) compares the odds of being in a higher category of inflation perception for one group relative to a reference group, holding all other variables constant. An OR greater than 1 indicates a higher likelihood of perceiving inflation as higher; an OR less than 1 suggests a lower likelihood. For example, an odds ratio of 2 means the group is twice as likely to perceive higher inflation compared to the reference group.

The regression results reveal that political affiliation is the most influential and statistically significant factor associated with perceived inflation. Holding other factors constant, Republicans are substantially more likely than independents (or others) to perceive that prices have increased (OR = 2.91, $p < 0.001$). In contrast, Democrats are significantly less likely to perceive higher inflation compared to the base group (OR = 0.42, $p < 0.001$). These findings are consistent with prior research documenting partisan differences in economic perceptions.

Gender also plays a significant role. Women are more likely than men to report higher inflation (OR = 1.69, $p < 0.001$), suggesting potential differences in economic experience or sensitivity to price changes across genders.

Other demographic characteristics, including income, urban-rural status, and age, do not show statistically significant associations with inflation perception in this model. While rural residents appear more likely to perceive price increases than those in metropolitan areas (OR = 1.77), this result is not statistically significant ($p = 0.15$). Likewise, income levels and age are not meaningfully associated with perceived inflation once other factors are controlled for.

Overall, these findings highlight the importance of psychological and ideological influences, particularly political orientation and gender, on how individuals perceive macroeconomic conditions. Recognizing this heterogeneity is essential for designing effective and targeted policy communication strategies.

Table 4: Ordered Logit Results. Inflation Perceptions as the Dependent Variable

Variables	Coefficient	Std. err.	Odds ratio	Std. err.
Age	0.006	0.004	1.006	0.004
Rural-Urban				
Metropolitan (base)				
Micropolitan	-0.158	0.281	0.854	0.240
Small Town	-0.076	0.376	0.927	0.349
Rural	0.571	0.394	1.771	0.698
Household Income				
Below $30K (base)				
$30K-$59K	0.154	0.209	1.167	0.244
$60K-$99K	0.005	0.218	1.005	0.219
$100K or more	-0.095	0.215	0.909	0.195
Political Affiliation				
Independent & Others (base)				
*Republican****	1.067	0.227	2.905	0.658
*Democrat****	-0.864	0.162	0.421	0.068
Gender				
Male (base)				
*Female****	0.523	0.149	1.686	0.252
Cut 1	-4.872	-3.271	-4.071	0.408
Cut 2	-3.655	-2.334	-2.995	0.337
Cut 3	-0.947	0.218	-0.364	0.297
Observations				976
Log likelihood				-662.261
LR chi2(10)				120.780
Prob > chi2				0.000
Pseudo R2				0.084

Source: Author's own work using SOSS survey data. ***indicates significance level at 0.01 level.

OUTREACH

The ongoing outreach efforts have generated interest from Michigan leaders across sectors, including legislative leaders, community organizations, academic institutions, and the private sector. The study's relevance to current economic challenges—particularly around inflation, wages, and public perceptions—has opened opportunities for collaboration and informed dialogue on how best to respond to the state's evolving economic landscape.

For example, the survey findings and statistical analysis were first presented on February 4, 2025, at the IPPSR forum titled “A Tale of Two Economies.” During this session, legislative staff, community members and local leaders expressed strong interest in the rising cost of living over time and its connection—or lack thereof—to wage growth.

We also contributed a column to *The Ag Economist*, a local magazine published by Michigan State University that provides a platform for the academic community to discuss ongoing research and timely issues. Additionally, the results were shared by Professor Alan Ker at a presentation to the Michigan Food Processors Association. Preliminary findings of our study were also presented at the Mid-Continent Regional Science Association conference on June 5, 2025, where it was well received and sparked discussions about the political factors influencing perceptions of inflation.

Complementing the findings from this first round of analyses, we expanded the study by surveying inflation perceptions at the national level. Looking ahead, the Michigan Restaurant Association has expressed interest in a future survey in 2025, which could help them anticipate consumer perceptions and potential behavioral responses.

CONCLUSION

This report aims to document and analyze the inflation perceptions of Michigan residents. In the wake of the COVID-19 crisis, there has been a noticeable rise in prices and the overall cost of living. Across all categories included in the survey—overall prices, groceries, restaurants, gasoline, and housing—respondents reported significant increases between 2019 and 2024. However, the perception of "high inflation" is not as uniform among Michigan residents as one might expect.

First, we observed notable geographical variation in gasoline prices across Michigan, but these differences do not account for the variation in perceived inflation among respondents. Second, we found that Michigan's trends in food-at-home prices closely align with national patterns, as measured by the CPI-U for the Detroit–Warren–Dearborn area. This category appears to best match residents' inflation perceptions, likely because food purchases occur frequently, making price changes more salient.

Finally, our ordered logit analysis indicates that political affiliation is the strongest and most statistically significant predictor of perceived inflation. Controlling for other factors, Republicans are considerably more likely than independents or others to perceive price increases, while Democrats are significantly less likely to do so. Gender also plays a role, with women more likely than men to report higher inflation. Other demographic variables—such as income, urban-rural residence, and age—do not show statistically significant relationships with inflation perception in this model.

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