

INFLATION

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Takeaways | Inflation

- Housing inflation is above headline inflation, while transportation inflation is just below headline inflation.
- AAPI households have somewhat (0.35 percentage point) higher inflation than the national average, while Hispanic and Black households have only slightly higher, and white households have slightly lower inflation than the national average. AAPI households are particularly affected by housing inflation.
- The bottom 40% of the household income distribution experiences inflation rates 0.16 percentage point higher than the rest of the income distribution, likely driven by their higher exposure to housing inflation.
- Young households (under 25) are experiencing inflation 0.35 percentage point higher than the national average, likely driven by their higher exposure to housing inflation.
- Rural households are experiencing 0.68 percentage point less inflation than urban households are, likely because of their greater exposure to transportation and lower exposure to housing inflation
- Inflation is highest in the South (0.41 percentage points above the national average), and lowest in the Northeast (0.55 percentage point below).

Full Report Highlights

- **INFLATION**

Housing inflation is driving most of the demographic inflation differences, in particular the higher inflation of the poorest 40% and of households headed by people under age 25.

- **EARNINGS**

The Black earnings gap is slowly but consistently shrinking for both Black men and women, though it remains large.

- **EMPLOYMENT**

Gaps in employment and unemployment rates across different racial and ethnic groups have come close to pre-pandemic levels, but convergence has stalled, and in some cases reversed slightly.

- **CONSUMER SPENDING**

The lower income, the less educated, and the young experienced a significantly faster recovery in spending since the pandemic. The spending recovery among the young (25-34) has weakened considerably over this year, with their spending on gas and restaurants having stalled in real terms.

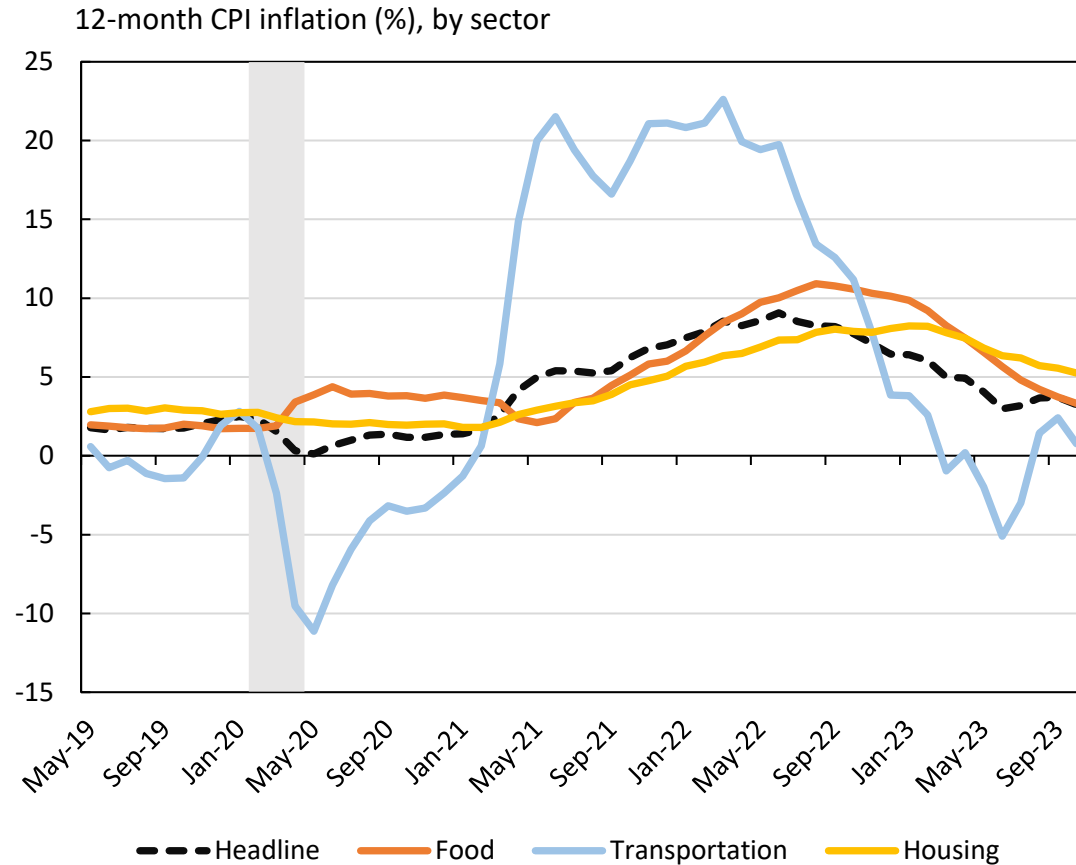
- **WEALTH**

Growth in wealth since the pandemic has been especially pronounced for Hispanic people, people under 40 years old, people in the bottom half of the wealth distribution, and the top 1% of income earners.

Data & Methods

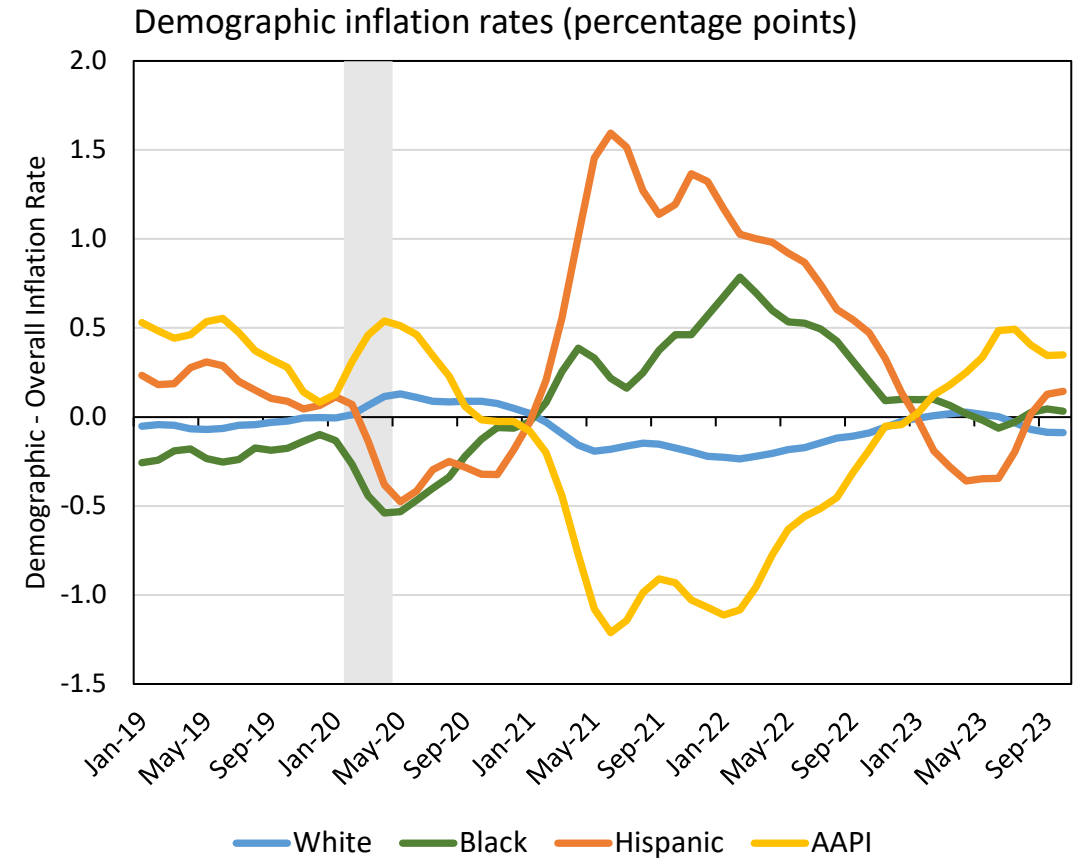
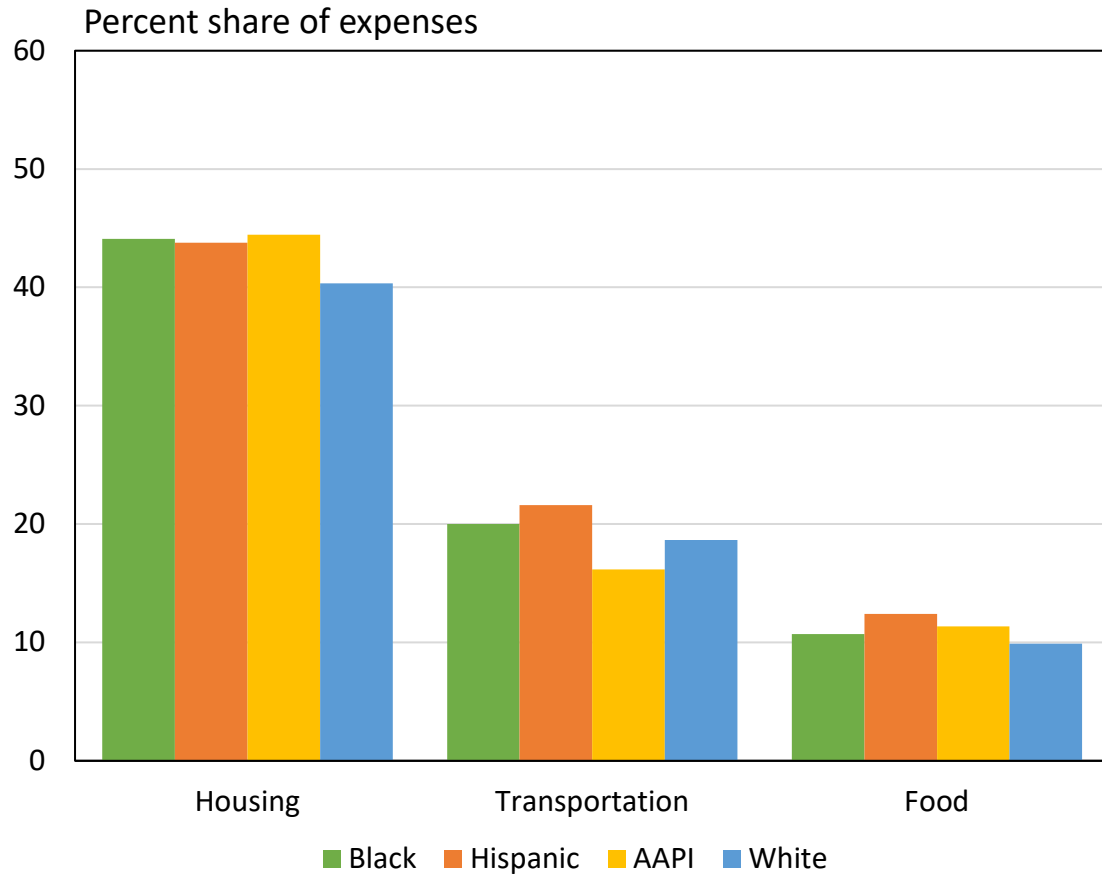
- Data on inflation by demographic groups are not produced by the Bureau of Labor Statistics.
- To calculate demographic inflation, we exploit the fact that the Consumer Expenditure Survey (CEX) can be used to compute spending shares of various consumption categories (for example, cereal, rent, and used cars) by demographic group (for example, Black, Hispanic, some college, and aged 45-54).
- To compute the contribution of a consumption category in a particular city to demographic inflation for a specific group, we take that group's spending share on that category in that city (from the CEX) in the previous year and multiply it by the twelve-month inflation for that consumption category in that city (from the Consumer Price Index).
- We then add up all the contributions to get an inflation index for the demographic group.
- Our method is similar to the previous literature, for example, Hobijn and Lagakos (2005), McGranahan and Paulson (2006), and Jaravel (2019). We are the first to exploit price variation across cities whereas the above-mentioned studies assume people in different demographic groups and cities face the same prices.

Inflation by Sector



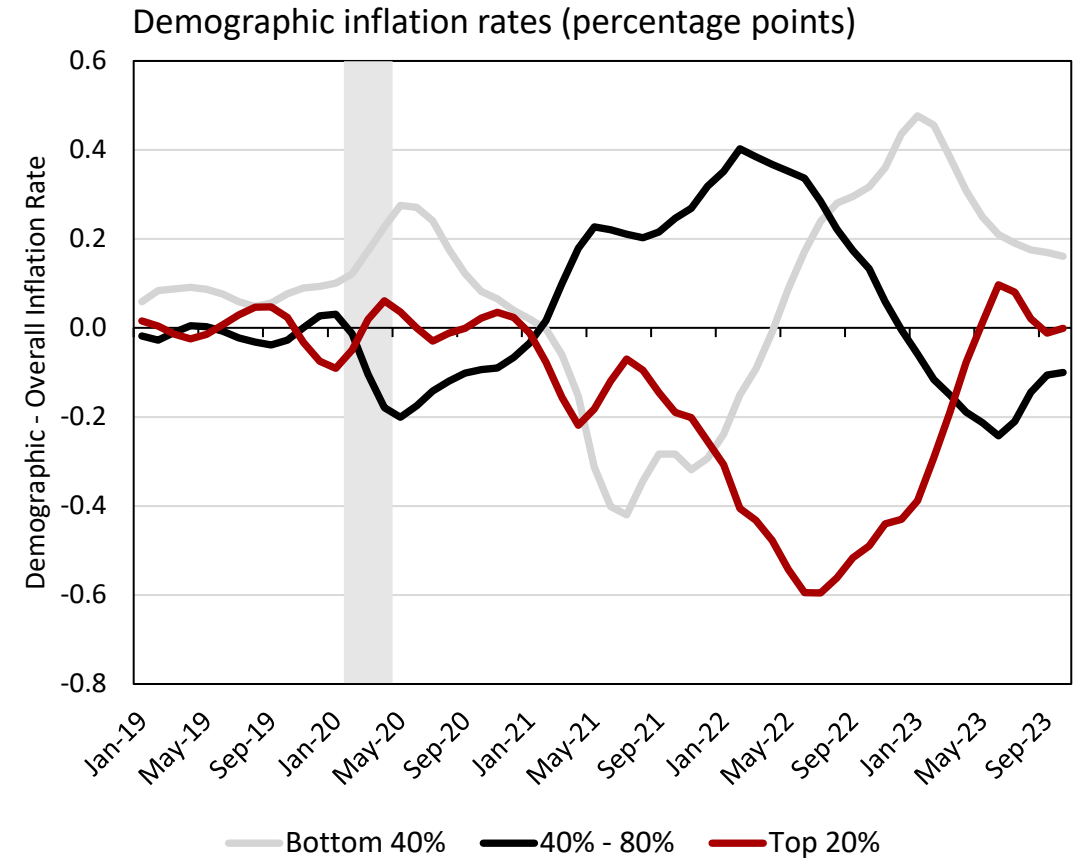
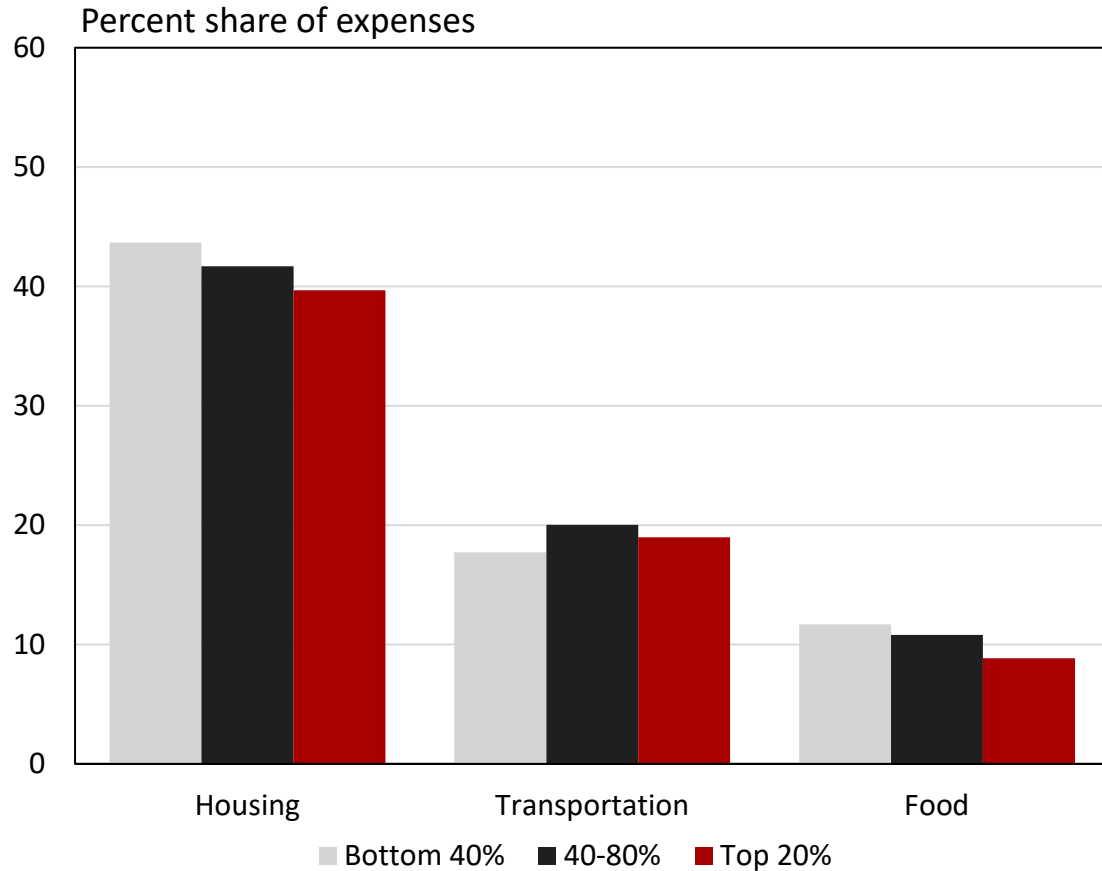
Sources: CPI via Haver Analytics; authors' calculations.
 Note: Shaded region indicates the COVID-19 recession.

Demographic Inflation by Race/Ethnicity



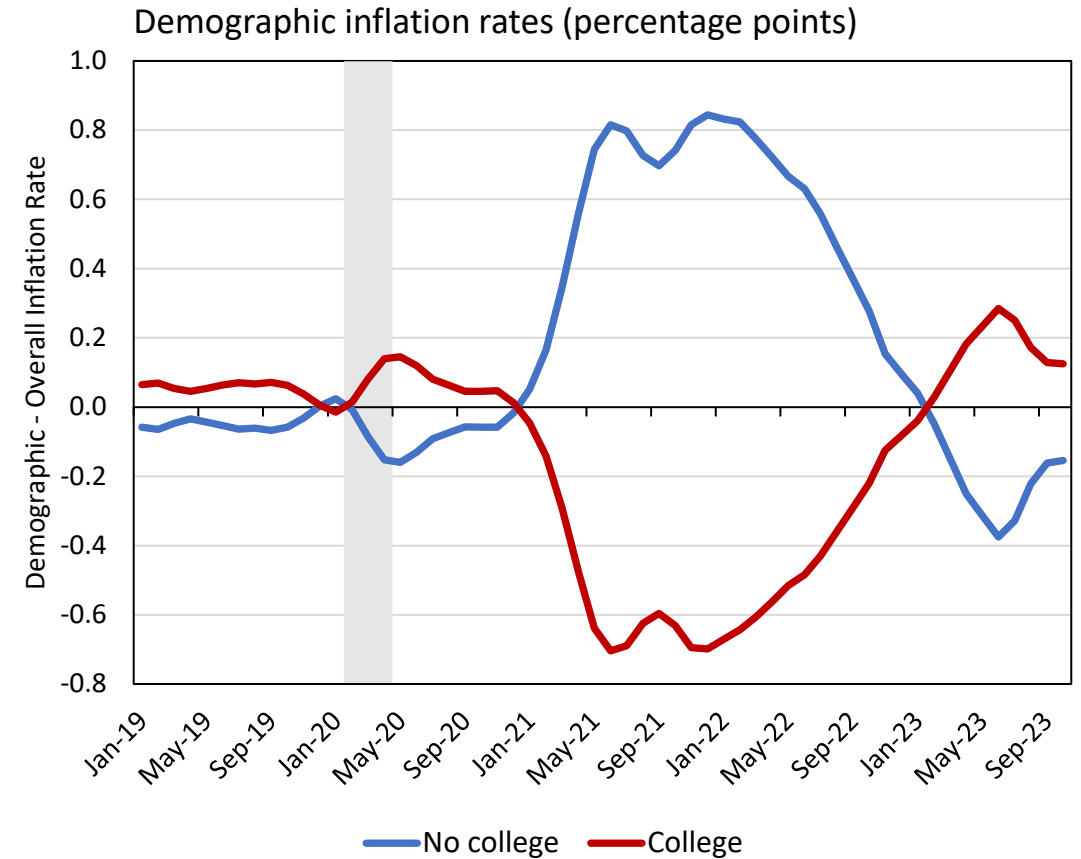
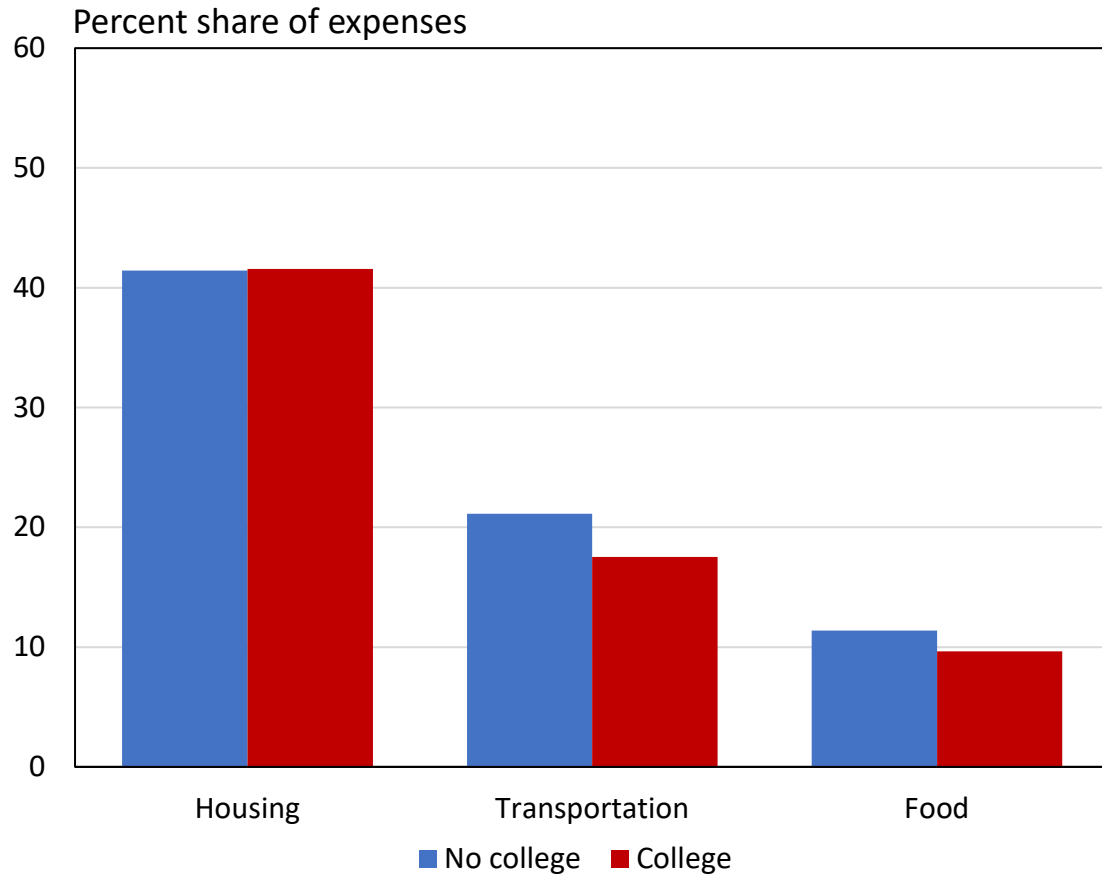
Sources: BLS Consumer Expenditure Survey microdata; BLS Consumer Price Indexes.
 Notes: Expenditure shares use 2021 CEX microdata. Shaded region indicates the COVID-19 recession.

Demographic Inflation by Income



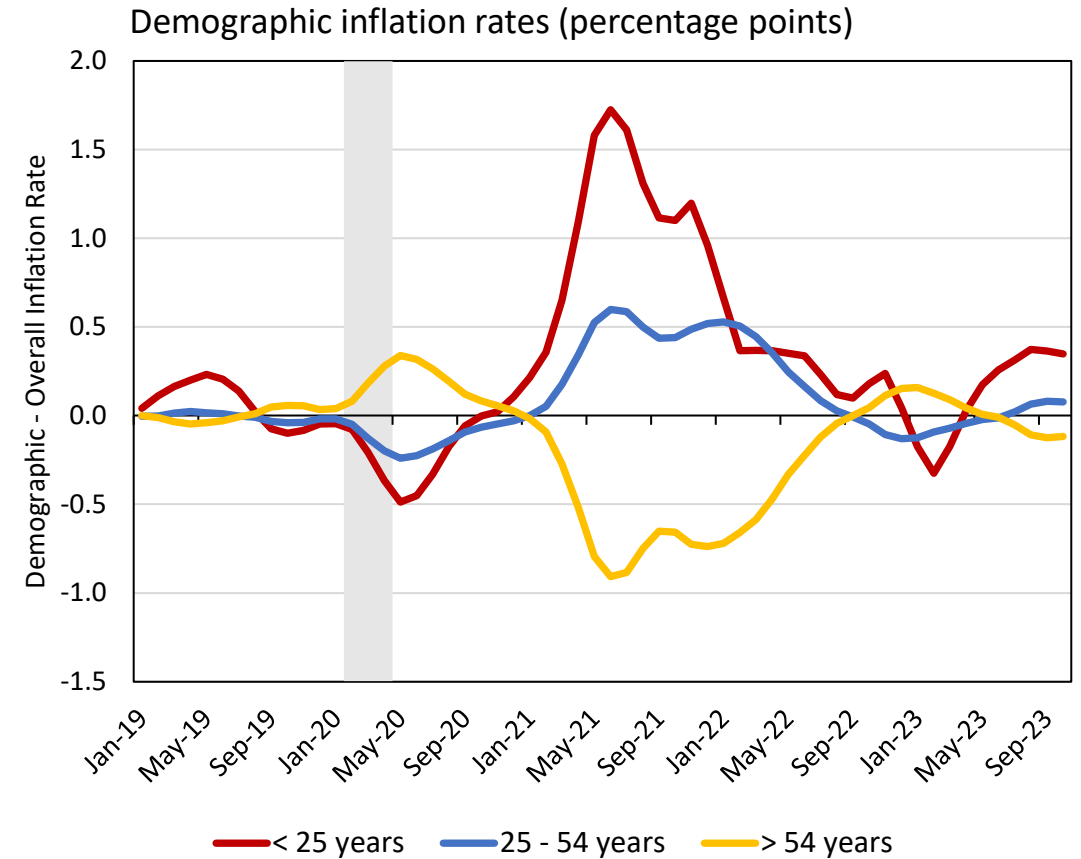
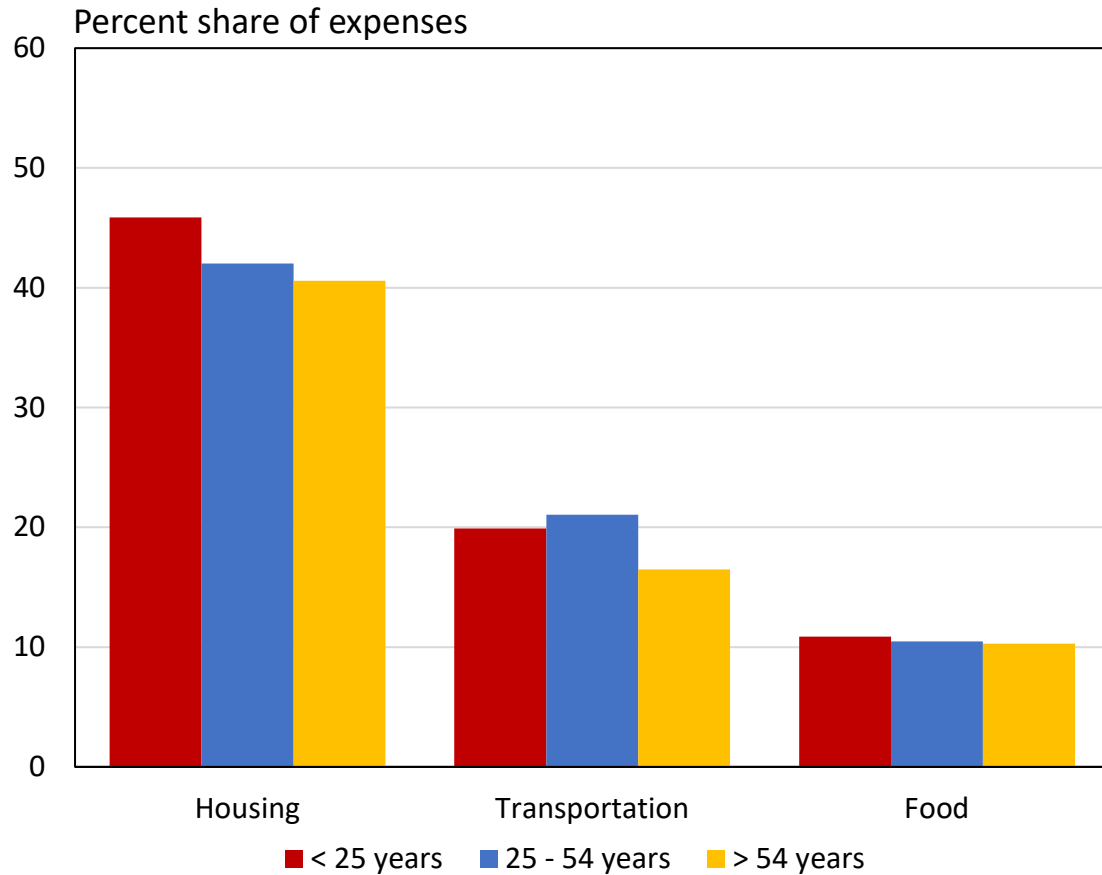
Sources: BLS Consumer Expenditure Survey microdata; BLS Consumer Price Indexes.
 Notes: Expenditure shares use 2021 CEX microdata. Shaded region indicates the COVID-19 recession.

Demographic Inflation by Education



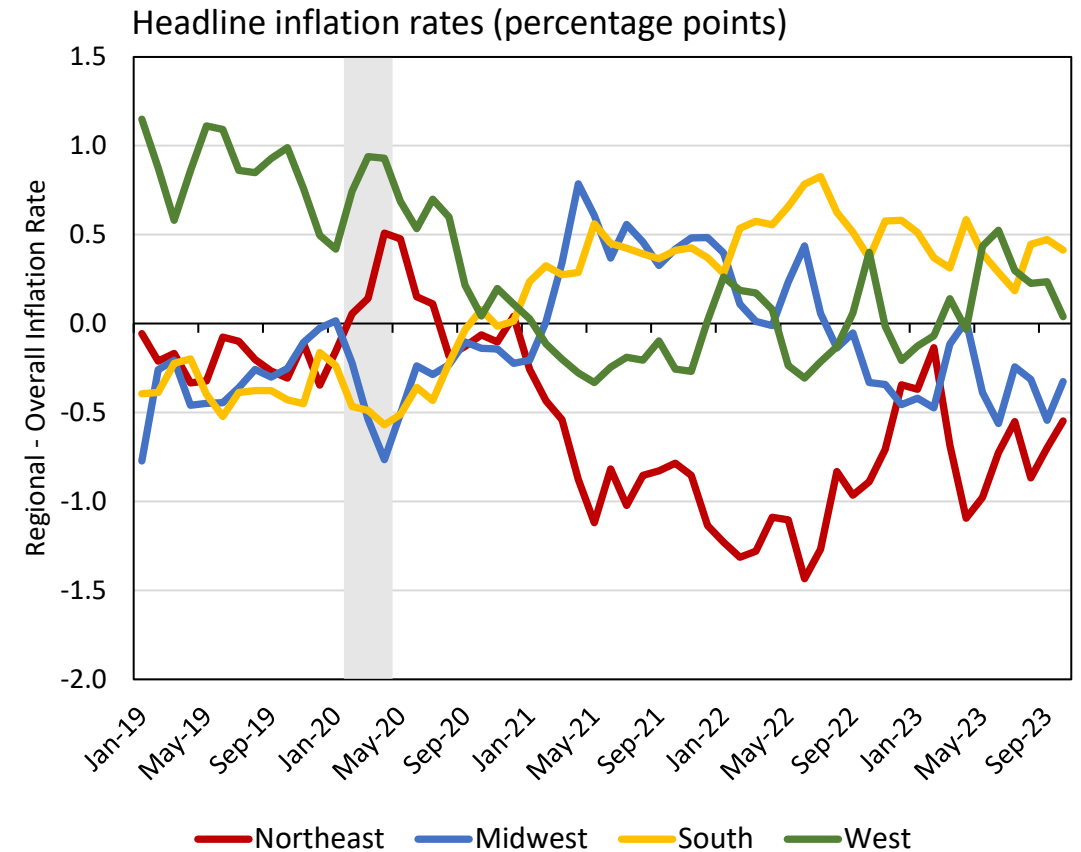
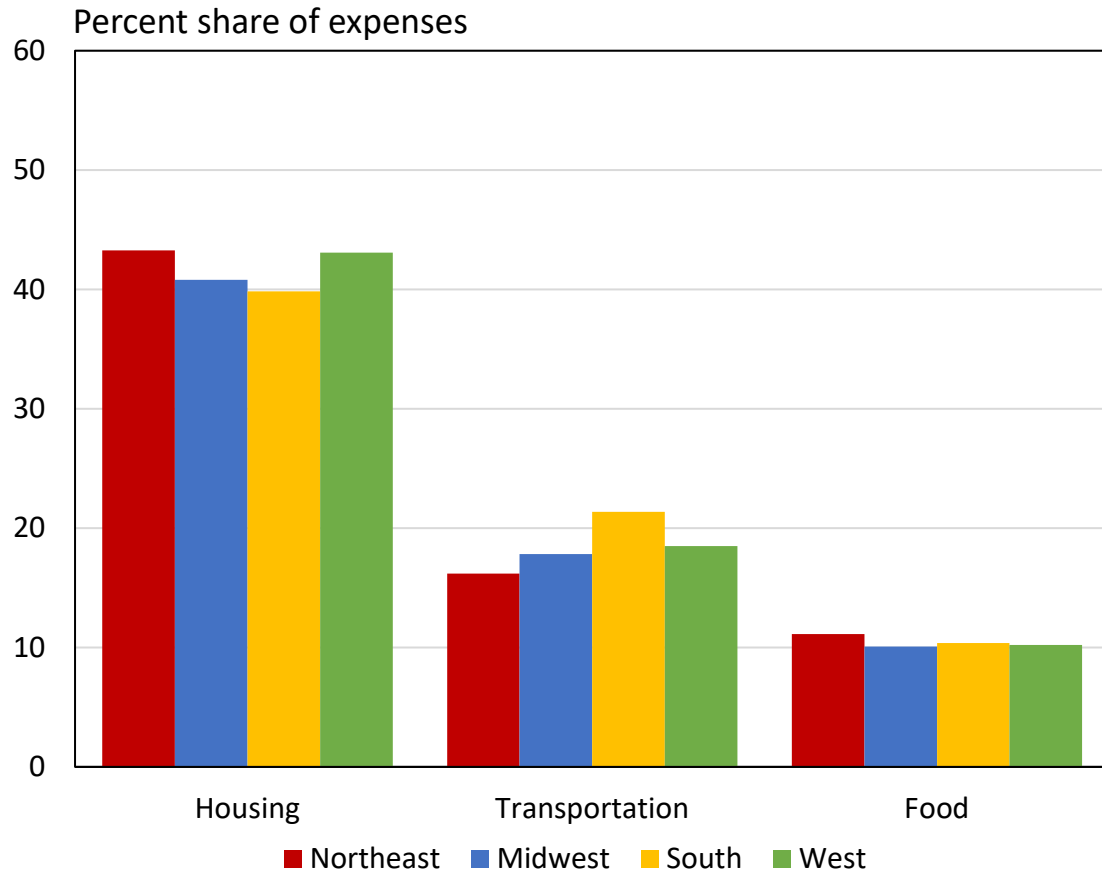
Sources: BLS Consumer Expenditure Survey microdata; BLS Consumer Price Indexes.
 Notes: Expenditure shares use 2021 CEX microdata. Shaded region indicates the COVID-19 recession.

Demographic Inflation by Age



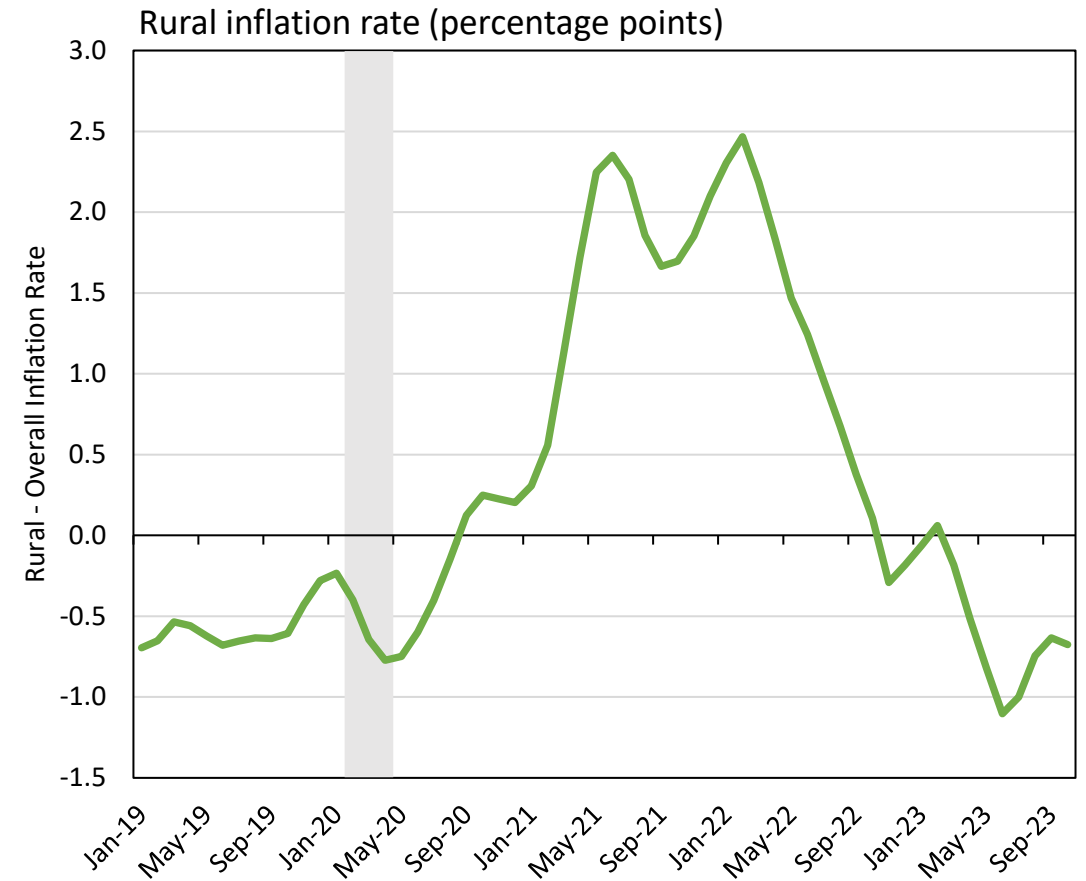
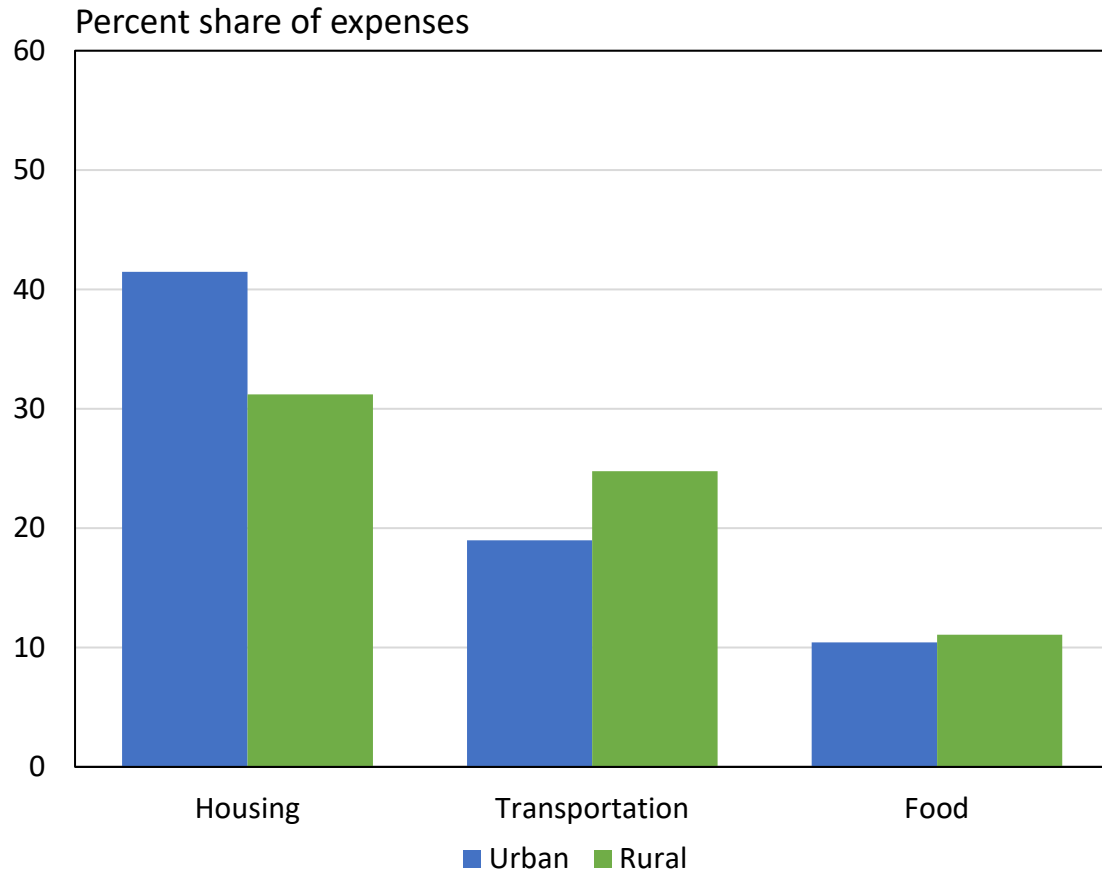
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 Notes: Expenditure shares use 2021 CEX microdata. Shaded region indicates the COVID-19 recession.

Demographic Inflation by U.S. Region



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 Notes: Expenditure shares use 2021 CEX microdata. Shaded region indicates the COVID-19 recession.

Demographic Inflation by Urban Status



Sources: BLS Consumer Expenditure Survey microdata; BLS Consumer Price Indexes.
 Notes: Expenditure shares use 2021 CEX microdata. Shaded region indicates the COVID-19 recession.