

# INFLATION

UPDATED THROUGH October 2023 | REGIONAL

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## Takeaways | Inflation

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- Inflation over the past year has been higher in the rest of the nation than the region.
- Black, Hispanic, and AAPI households in the region experienced inflation that is around 0.5 percentage point higher than the regional average in October 2023, while white households experienced inflation that is below this average. These gaps are explained by generally lower housing and transportation expenditure shares for white households than for households in other racial and ethnic groups.
- Lower-income households in the region are experiencing somewhat lower inflation than higher-income households are, largely because transportation inflation has been rising rapidly in the region and lower-income households have a lower transportation expenditure share than higher-income households do.
- College-educated households and younger households in the region also experienced above average inflation because of their greater exposure to housing inflation, which is above regional headline inflation.
- These gaps follow much larger gaps during the 2021-22 inflationary episode, when groups with high exposure to transportation inflation (Hispanic, middle and high-income, non-college, and middle-age households) had inflation well above the region average. These gaps have now subsided.

# Full Report Highlights

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- **INFLATION**

Housing and transportation inflation is driving inflation heterogeneity across groups in the region, with Black, Hispanic, AAPI, higher-income, college-educated, and young households experiencing above-average inflation in 2023.

- **EARNINGS**

Average real earnings are higher in the region compared to the national average. Real earnings gaps across racial and ethnic groups, educational groups, and men and women have remained in their long-run ranges, though the Black earnings gap appears to be slowly shrinking over time.

- **EMPLOYMENT**

Labor market gaps have declined in the region at rates similar to those of nation as a whole. In particular, the gender gap in the region has declined faster and fallen lower than the national gender gap.

- **CONSUMER SPENDING**

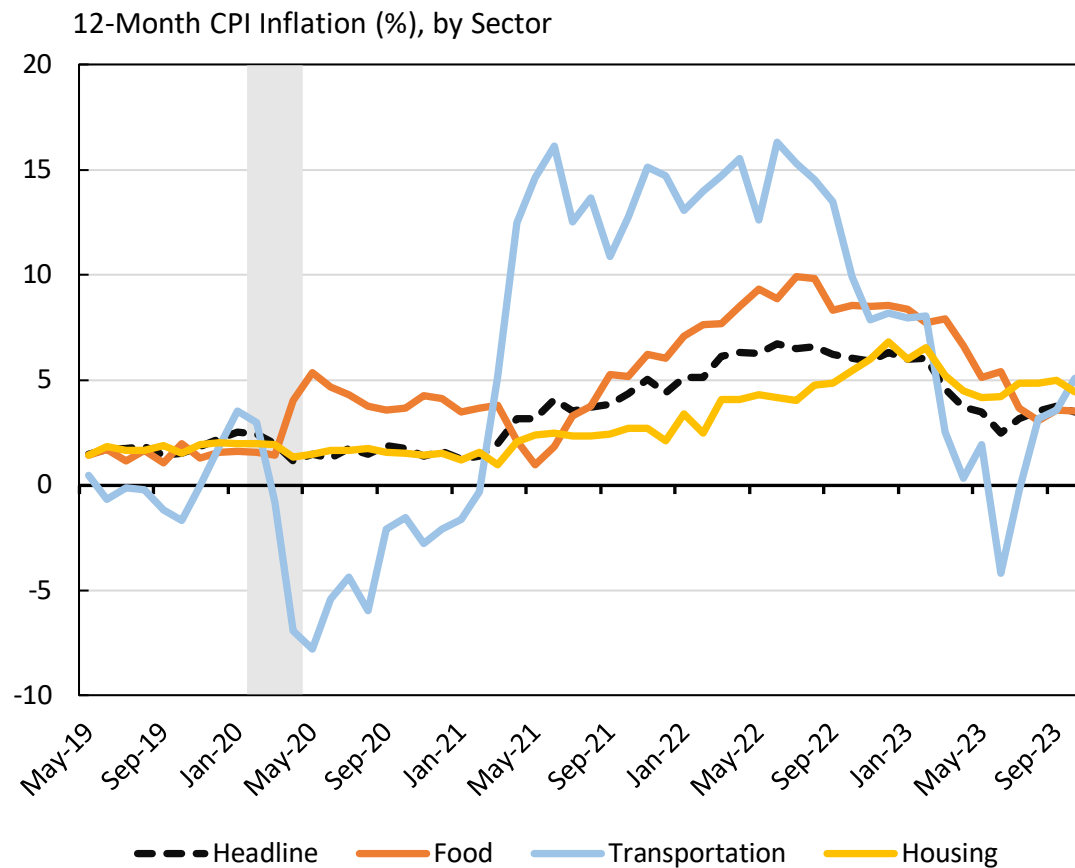
The region has had little growth in spending since its recovery from the pandemic when compared to the rest of the nation.

## Data & Methods

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- 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).
- We define the region in the CEX to be the union of the New York-New Jersey metro area (excluding counties in Pennsylvania) with all other counties in New York state.
- 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.

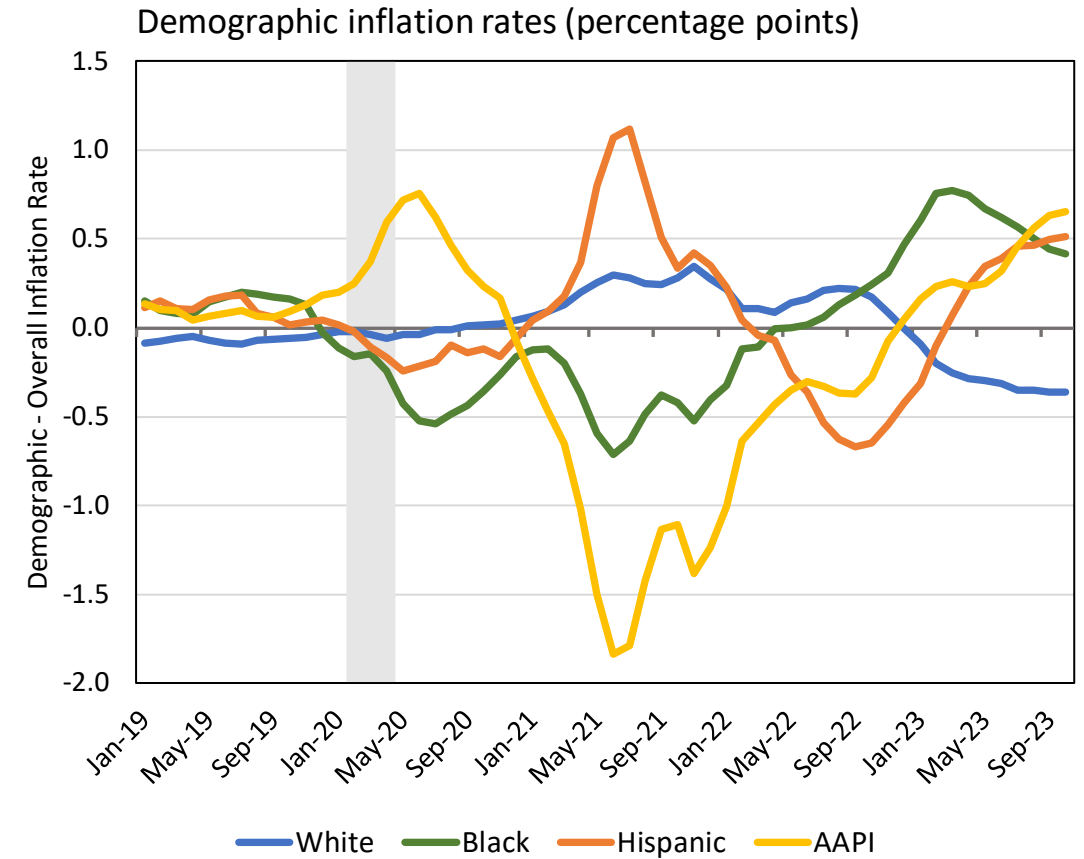
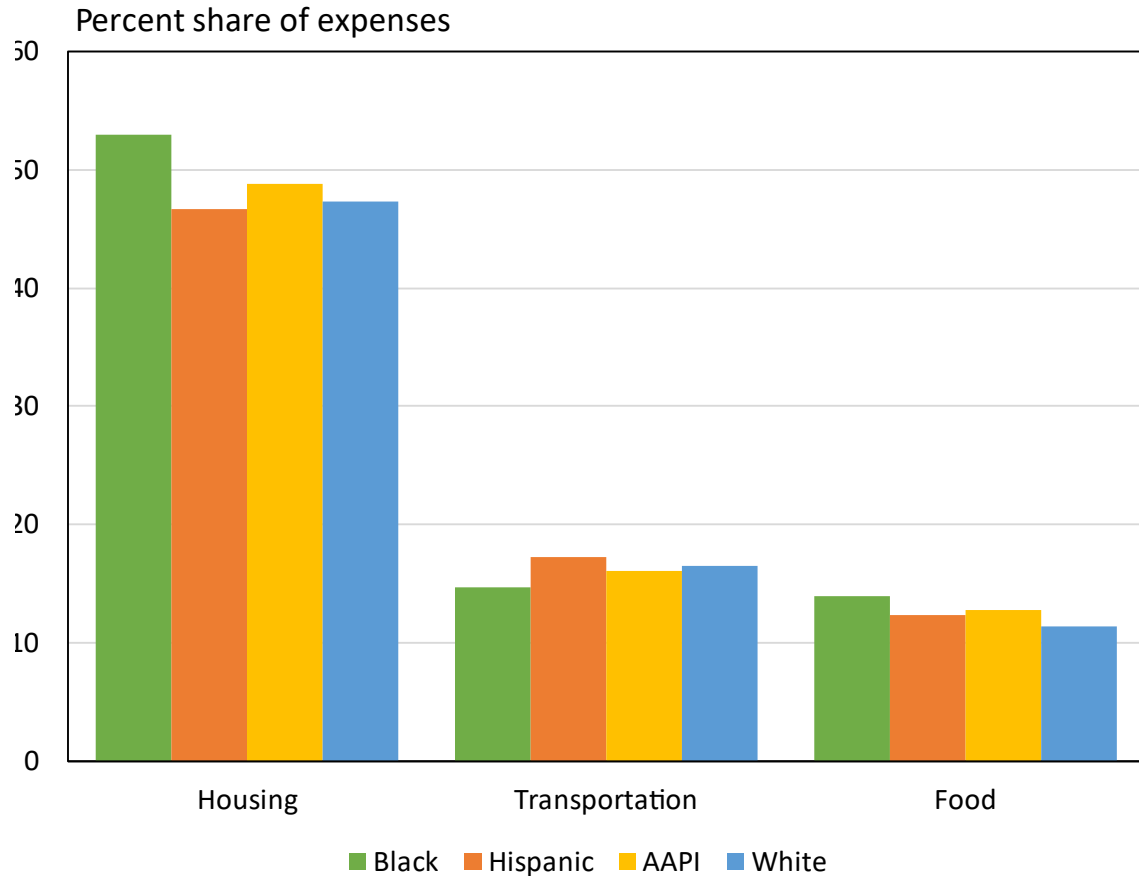
## Inflation by Sector



Sources: CPI via Haver Analytics; authors' calculations.

Note: Shaded region indicates the COVID-19 recession. Includes all counties belonging to the Federal Reserve Second District excluding Puerto Rico, the US Virgin Islands, Warren County, NJ, and Fairfield County, CT, and additionally including Ocean County, NJ.

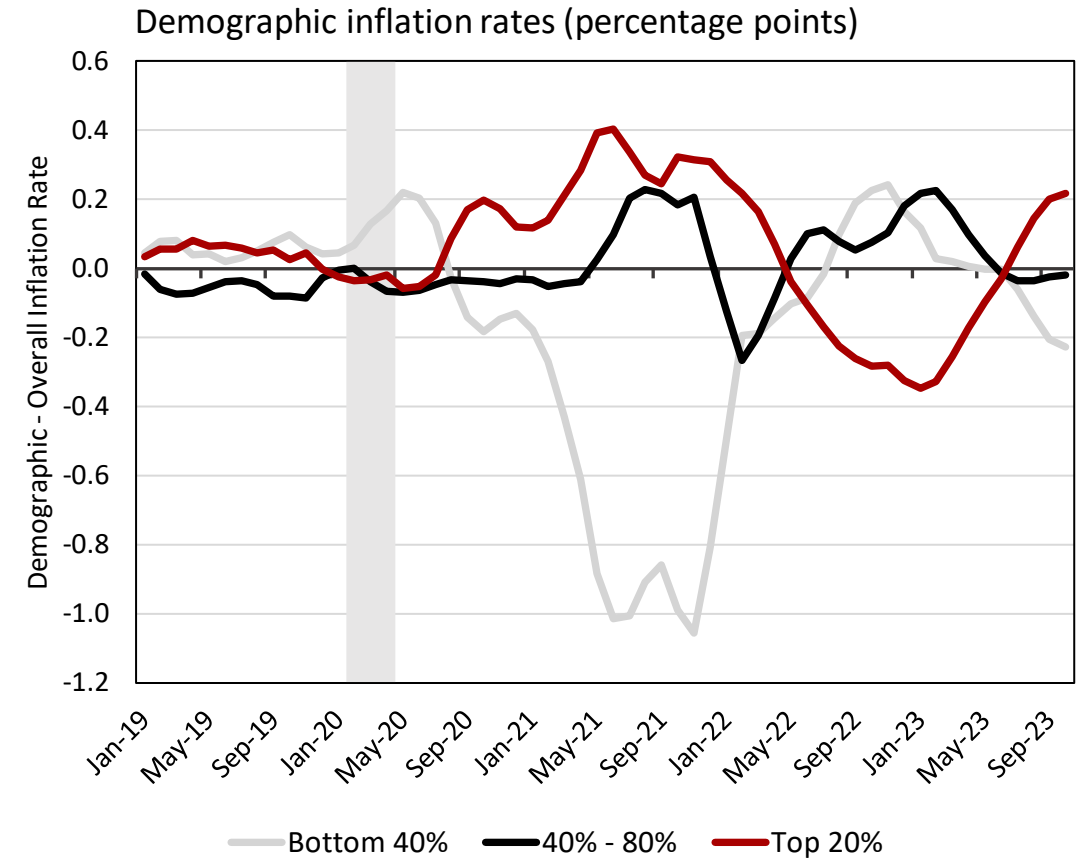
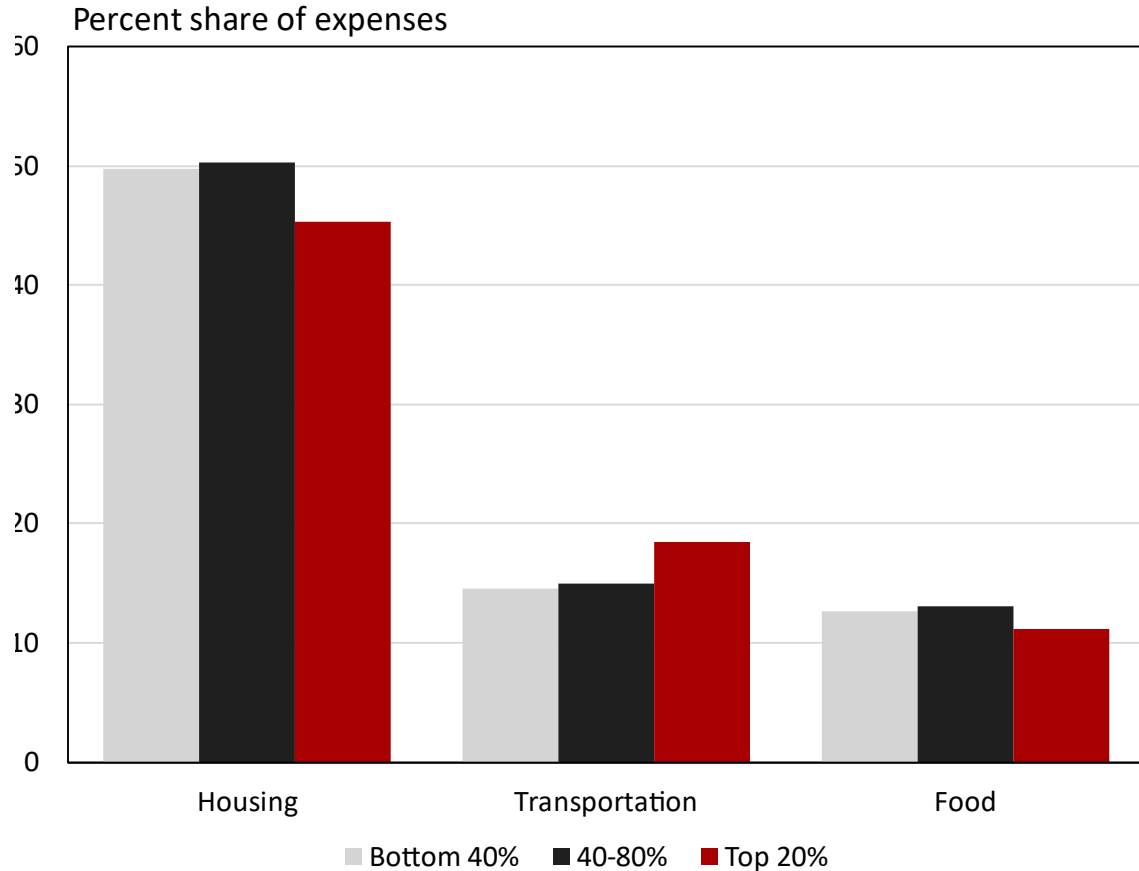
## Demographic Inflation by Race/Ethnicity



Sources: BLS Consumer Expenditure Survey microdata; BLS Consumer Price Indexes.

Notes: Expenditure shares use 2021 CEX microdata. Shaded region indicates the COVID-19 recession. Includes all counties belonging to the Federal Reserve Second District excluding Puerto Rico, the US Virgin Islands, Warren County, NJ, and Fairfield County, CT, and additionally including Ocean County, NJ.

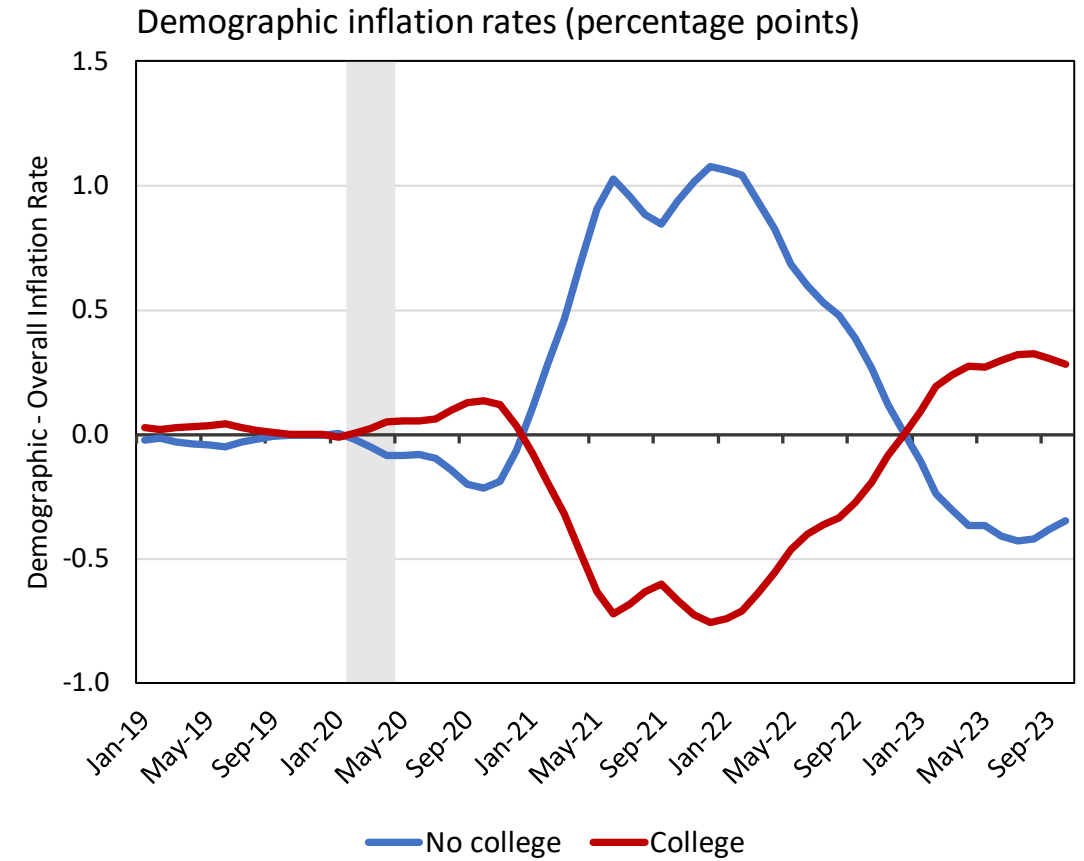
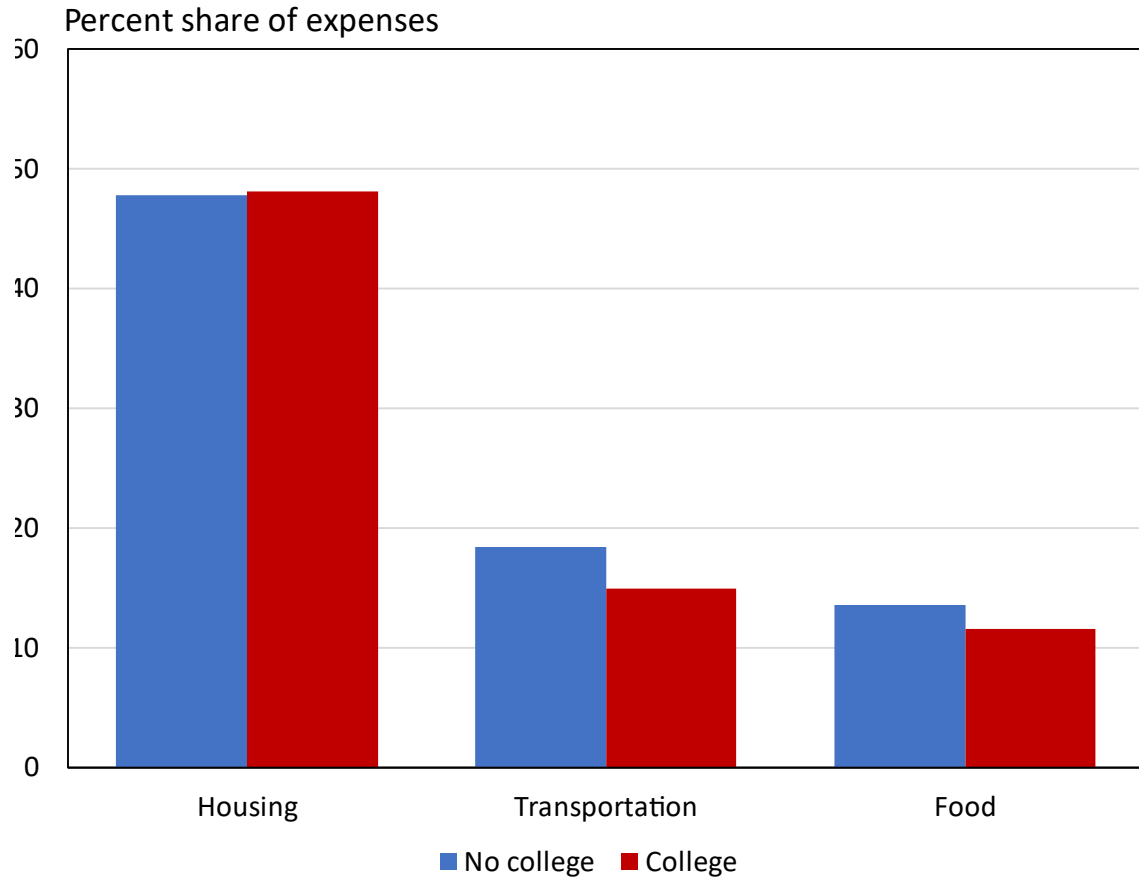
## Demographic Inflation by Income



Sources: BLS Consumer Expenditure Survey microdata; BLS Consumer Price Indexes.

Notes: Expenditure shares use 2021 CEX microdata. Shaded region indicates the COVID-19 recession. Includes all counties belonging to the Federal Reserve Second District excluding Puerto Rico, the US Virgin Islands, Warren County, NJ, and Fairfield County, CT, and additionally including Ocean County, NJ.

## Demographic Inflation by Education

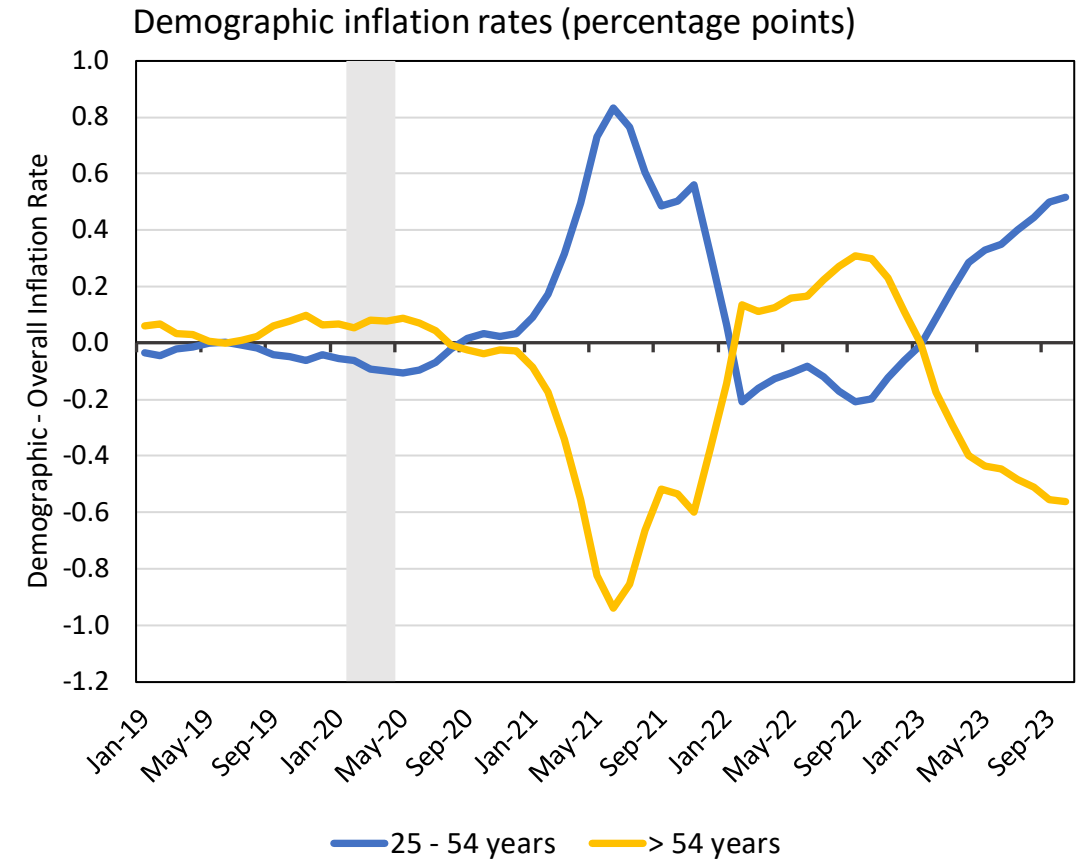
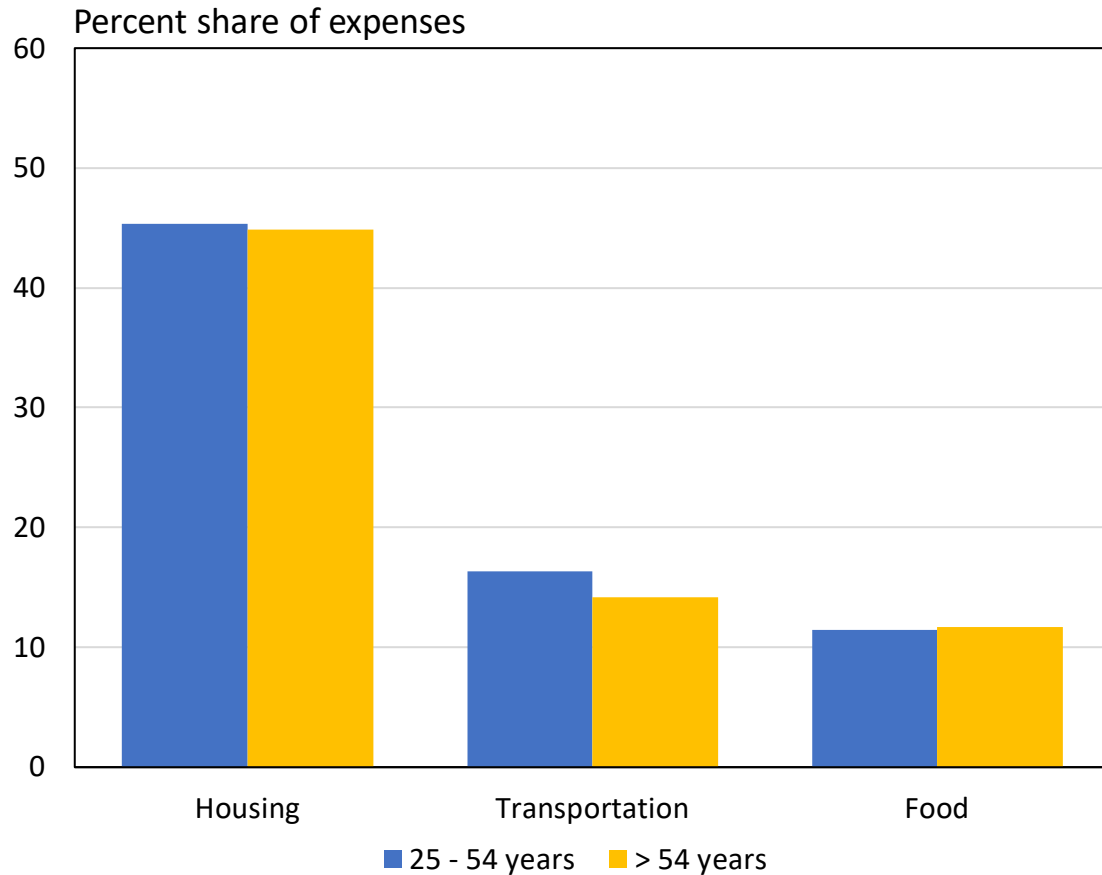


Sources: BLS Consumer Expenditure Survey microdata; BLS Consumer Price Indexes.

Notes: Expenditure shares use 2021 CEX microdata. Shaded region indicates the COVID-19 recession. Includes all counties belonging to the Federal Reserve Second District excluding Puerto Rico, the US Virgin Islands, Warren County, NJ, and Fairfield County, CT, and additionally including Ocean County, NJ.



## Demographic Inflation by Age



Sources: BLS Consumer Expenditure Survey microdata; BLS Consumer Price Indexes.

Notes: Expenditure shares use 2021 CEX microdata. Shaded region indicates the COVID-19 recession. Includes all counties belonging to the Federal Reserve Second District excluding Puerto Rico, the US Virgin Islands, Warren County, NJ, and Fairfield County, CT, and additionally including Ocean County, NJ. Age group <25 omitted due to sample size concerns.