MAY 2023 INFLATION
(Released July 2023)

EQUITABLE GROWTH INDICATORS

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Summary

• **INFLATION**
Inflation is declining overall, as well as in the high-inflation categories of food and housing. Households headed by young people are experiencing inflation that is nearly 0.5 percentage point above the national average.

• **EARNINGS**
Real earnings in April and May 2023 increased at the fastest rate since May 2020, except for Hispanic and younger workers whose earnings remained stable.

• **EMPLOYMENT**
The employment gap between men and women is close to its lowest level since 2019 (11 percent vs. 13.3 percent in January 2019), having fallen throughout the pandemic and its aftermath.

• **CONSUMER SPENDING**
Real spending of the young (aged 25-34) remains low relative to its post-pandemic trend in each of the retail, gas, and restaurant categories. The young had increased their consumer spending the most following the pandemic, but currently spend less than do people aged 35-44 and only slightly more than do people aged 45-54, relative to their pre-pandemic levels.
INFLATION
Takeaways | Inflation

- Gaps in demographic inflation rates increased significantly in 2021 and early 2022, a development that was largely attributable to heterogeneity in transportation spending.
- Middle-income households, the young, people without a college degree, residents of the South and Midwest, rural households, and Black and Hispanic households faced higher inflation than the overall average in 2021. Many of these gaps have now reversed.
- Currently, urban, college-educated, low-income households, and residents of the South face higher inflation than average.
- Households headed by people aged under 25 faced year-over-year inflation that is 0.44 percentage point higher than the national average in May 2023.
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 Category

12-Month CPI Inflation (%), by Sector

- Headline
- Food
- Transportation
- Housing

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 2020 CEX microdata. Shaded region indicates the COVID-19 recession.

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Percent Share of Expenses, by race

Demographic Inflation Rates, by race

Sources: BLS Consumer Expenditure Survey Microdata; BLS Consumer Price Indexes.
Notes: Expenditure shares use 2020 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 2020 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 2020 CEX Microdata. Shaded region indicates the COVID-19 recession.
Demographic Inflation by Age

Percent Share of Expenses, by age

Sources: BLS Consumer Expenditure Survey Microdata; BLS Consumer Price Indexes.
Notes: Expenditure shares use 2020 CEX microdata. Shaded region indicates the COVID-19 recession.
Demographic Inflation by U.S. Region

Sources: BLS Consumer Expenditure Survey Microdata; BLS Consumer Price Indexes.
Notes: Expenditure shares use 2020 CEX microdata. Shaded region indicates the COVID-19 recession.
Demographic Inflation by Urban Status

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