

# INFLATION

UPDATED THROUGH DECEMBER 2025 | NATIONAL

Rajashri Chakrabarti, Thu Pham, Beck Pierce, and Maxim Pinkovskiy

## Takeaways | Inflation

---

- Housing inflation was above, transportation inflation was below, and food inflation was slightly above headline inflation, with transportation inflation slightly positive in December 2025.
- Hispanic, AAPI, Black, high-income, and Southern households, as well as households with heads younger than 25, experienced lower inflation than the national average. White, low-income, Northeastern, Western, and rural households, as well as households with heads aged 55+ experienced higher inflation than the national average.
- As of December 2025, Hispanic households experienced inflation that is 0.39 percentage point lower than the national average. Households with heads younger than 25 experienced inflation that is 0.29 percentage point lower than the national average. Southern, Northeastern, and Western households experienced inflation that was 0.51 percentage point lower, 0.57 percentage point higher and 0.23 percentage point higher, respectively, than the national average. Other inflation differentials tend to be within 0.2 percentage point of the national average.

# Full Report Highlights

---

## ▪ INFLATION

- Hispanic, high-income, Southern, and young households saw lower inflation than the national average.
- Low-income, Northeastern, Western, and rural households experienced higher inflation than the national average.

## ▪ EARNINGS

- Black and Hispanic workers experienced an increase in earnings ratio to white workers relative to August 2025.
- Workers without a college degree earned more as a fraction of the earnings of workers with a degree than they did during most of the past six years.
- Women workers' earnings have held steady as a share of men's earnings since August 2025.
- Earnings of workers in large-sized businesses have grown at a higher rate than earnings of workers in medium-sized and small businesses.

## ▪ EMPLOYMENT

- Employment losses and unemployment increases have leveled off for Black men and women, though employment remains low and unemployment remains high for them relative to the post-pandemic period.
- Employment gaps between college graduates and nongraduates are close to pre-pandemic levels.
- Workers with disabilities were much less (nearly half as) likely to participate in the labor force and be employed, and more than twice as likely to be unemployed than workers without disabilities.
- Employment has grown faster at large businesses than at small and medium-sized businesses.

## Full Report Highlights (continued)

---

### ▪ CONSUMER SPENDING

- Since 2023, high-income households have increased nominal consumption by a higher percentage than have middle-income and low-income households. In real terms, consumption of high-income households has grown, that of middle-income households remained flat, while the consumption of low-income households decreased by November 2025.
- The trend since 2023 is different from the trend during the pandemic recession and recovery, when consumption growth was similar across income groups.
- Consumption growth in nominal and real terms since 2023 has also been higher for college graduate relative to nongraduate households, AAPI and white relative to Hispanic and Black households and young relative to old households.

### ▪ WEALTH

- Growth in wealth after 2019 was faster for some groups with little wealth growth relative to population.
- This growth did not meaningfully reduce stark wealth inequalities across demographic groups.
- Financial assets grew strongly in 2025:Q3, raising net worth across the board but particularly for high-income and high-wealth groups.

### ▪ SMALL BUSINESS

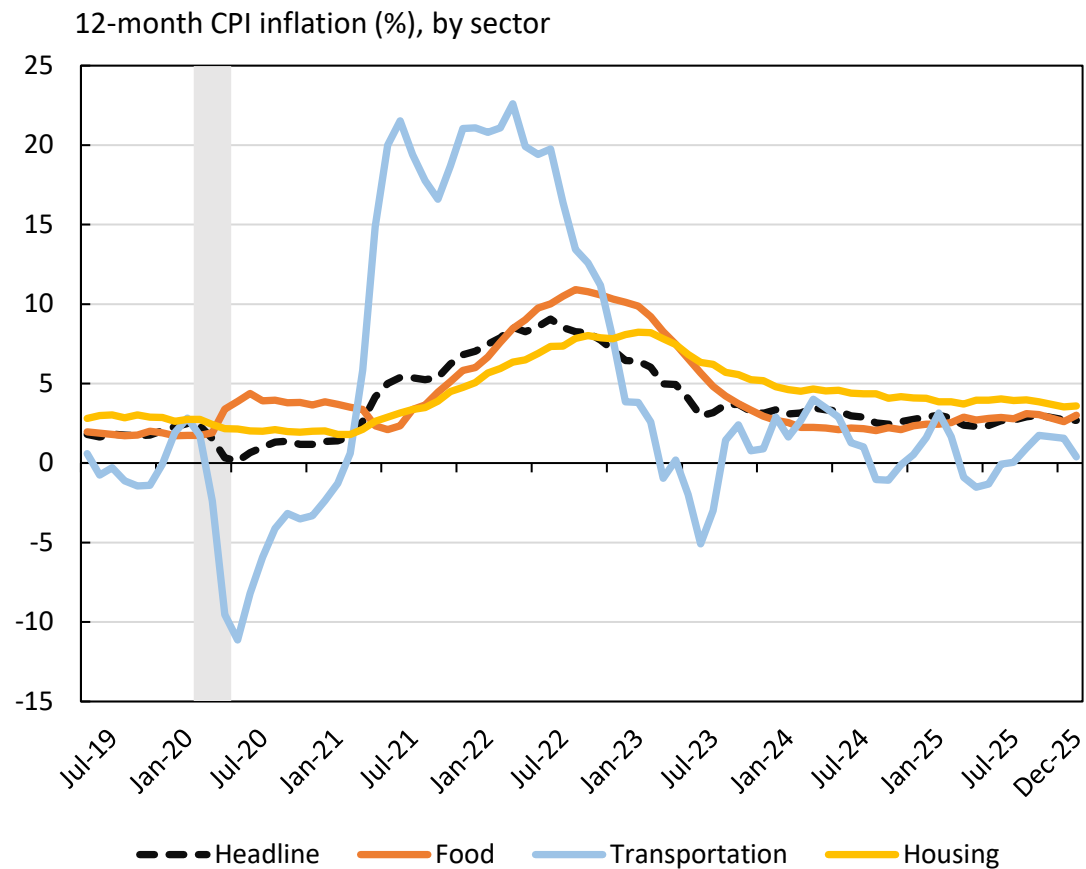
- Small business conditions improved after the COVID-19 pandemic but have largely plateaued, with the smallest businesses struggling the most.
- Wage and input costs have been easing, and supply-chain problems have largely faded.

## Data and Methods | Inflation

---

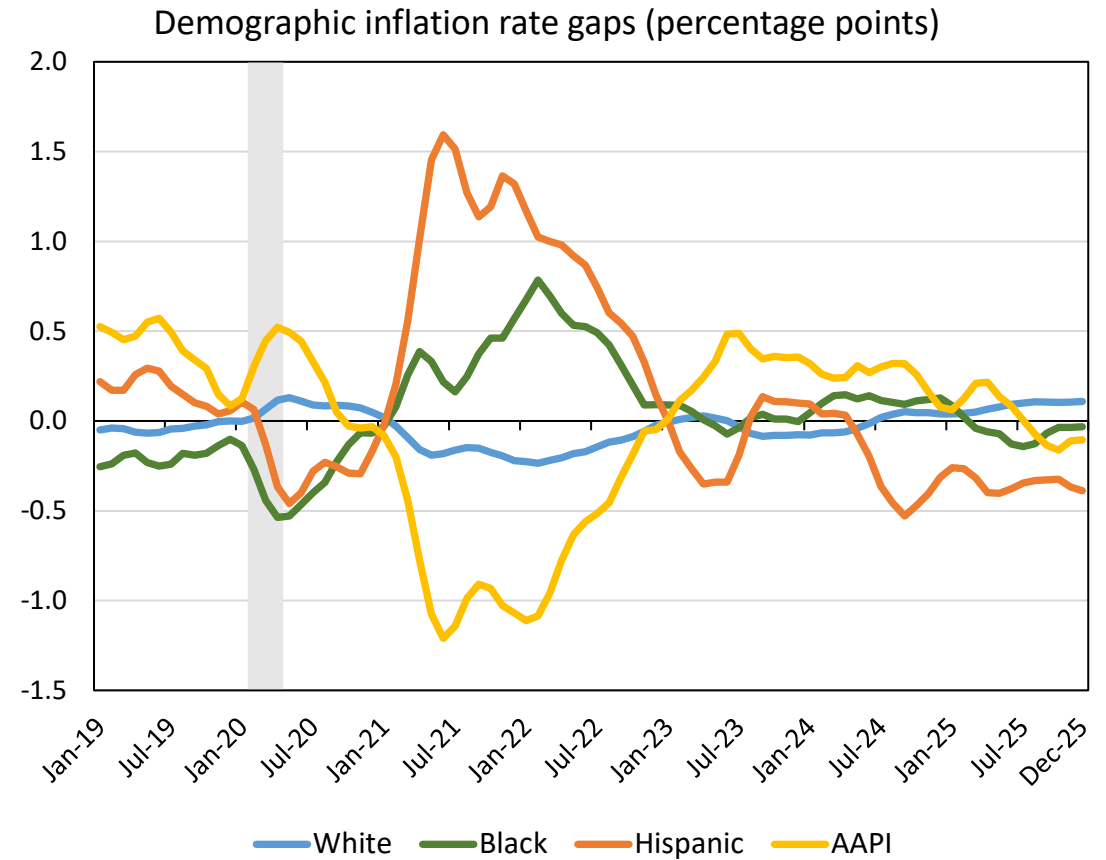
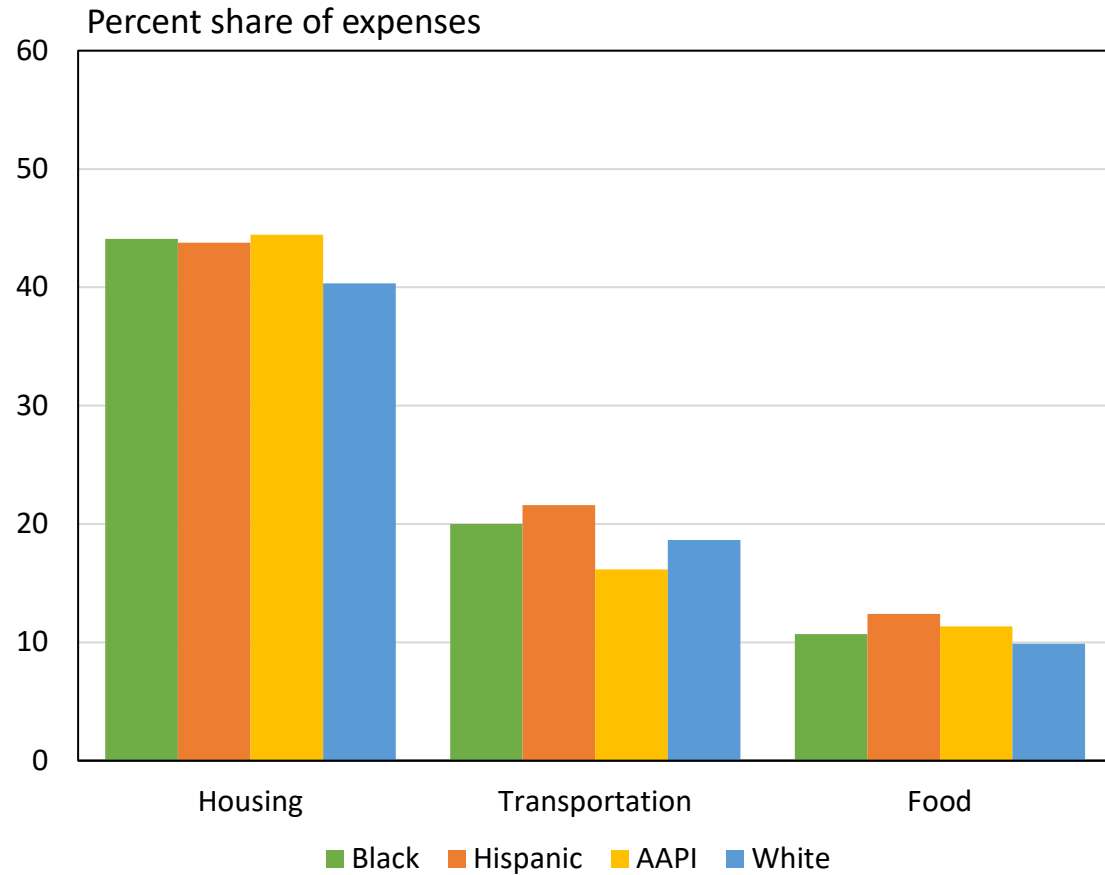
- Data on inflation by demographic groups are not produced by the Bureau of Labor Statistics.
- To calculate demographic inflation, the Consumer Expenditure Survey (CEX) is used to compute spending shares of various consumption categories (for example, cereal, rent, and used cars) by demographic group (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, that group's spending share on that category in that city (from the CEX) in the previous year is multiplied by the twelve-month inflation for that consumption category in that city (from the Consumer Price Index).
- All the contributions are then summed to get an inflation index for the demographic group.
- This method is similar to the previous literature, for example, Hobijn and Lagakos (2005), McGranahan and Paulson (2006), and Jaravel (2019). The EHIs are the first to exploit price variation across cities whereas the aforementioned studies assume people in different demographic groups and cities face the same prices.
- Inflation gaps are calculated as demographic inflation less overall inflation. Inflation gap by urban status is calculated as rural inflation minus urban inflation.

## Inflation by Sector



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

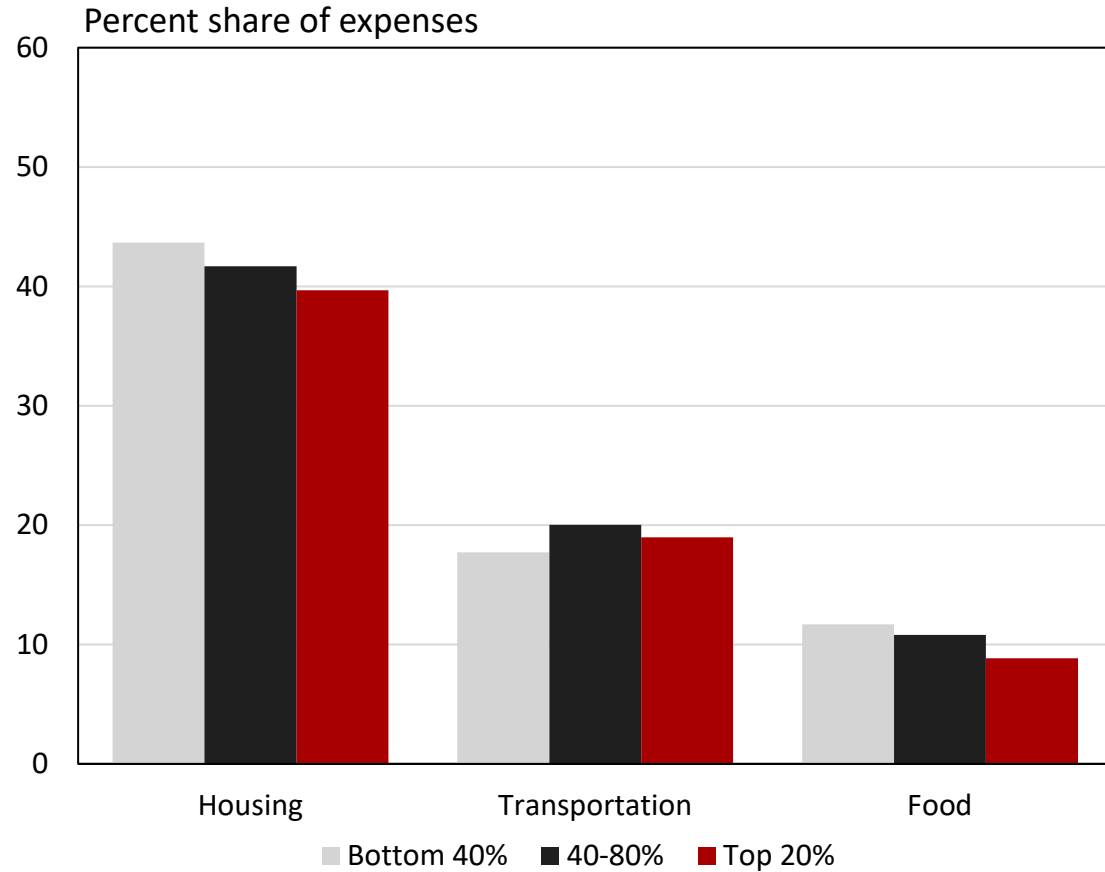
## Demographic Inflation by Race/Ethnicity



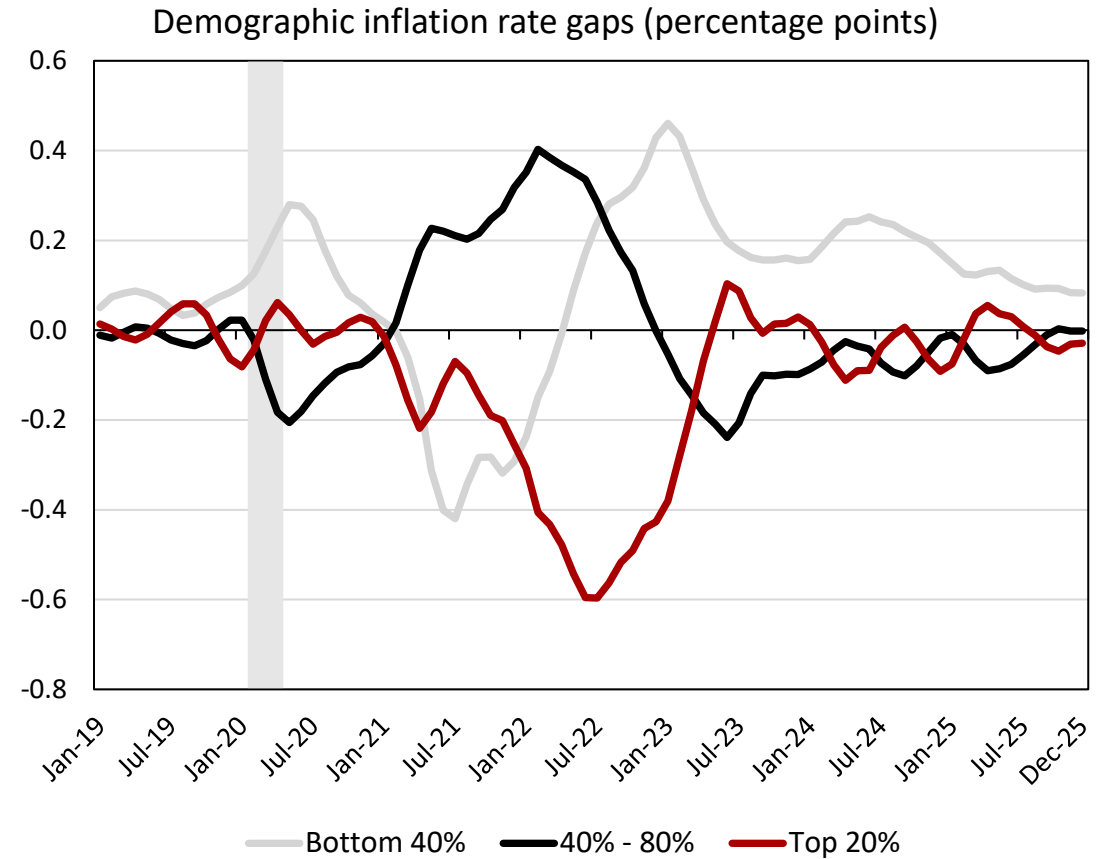
Source: BLS Consumer Expenditure Survey microdata; BLS Consumer Price Indexes.  
 Notes: Expenditure shares use 2021 CEX microdata. Shaded region indicates the COVID-19 recession.

Demographic inflation gaps are calculated as demographic inflation less overall inflation.

## Demographic Inflation by Income

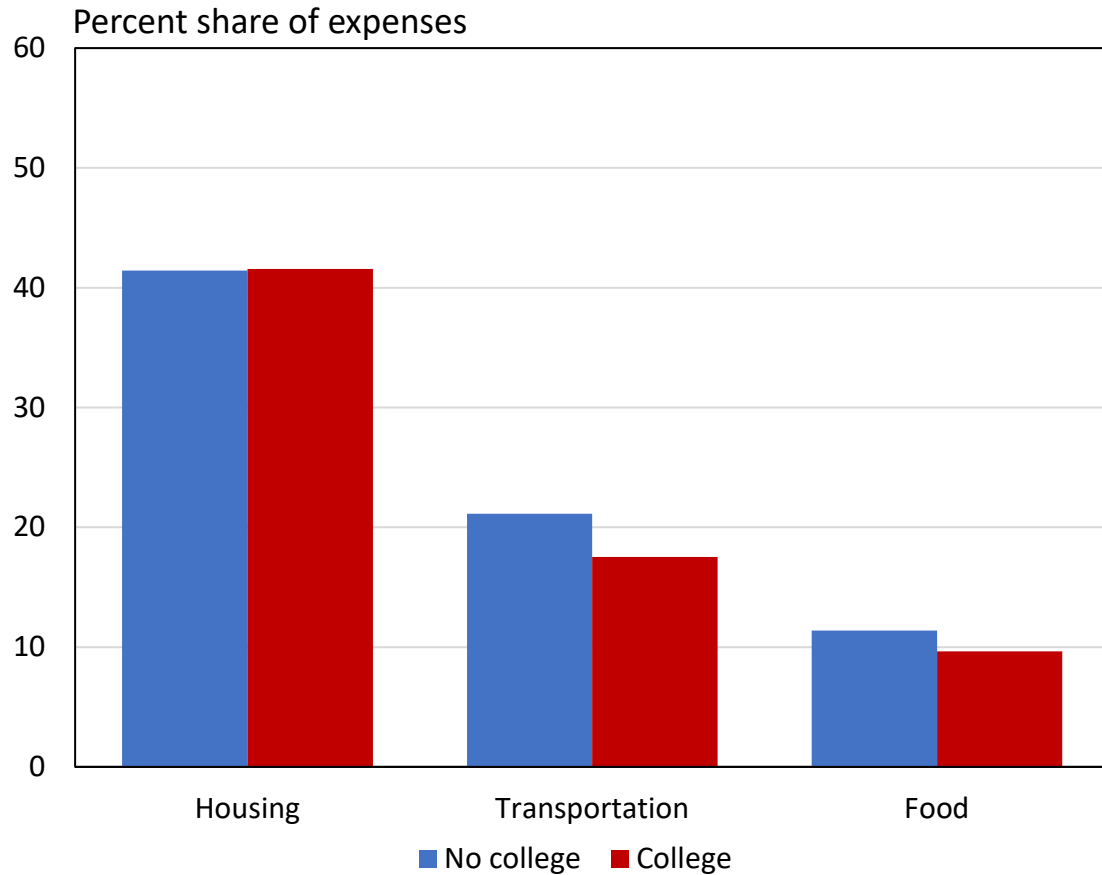


Source: BLS Consumer Expenditure Survey microdata; BLS Consumer Price Indexes.  
 Notes: Expenditure shares use 2021 CEX microdata. Shaded region indicates the COVID-19 recession.

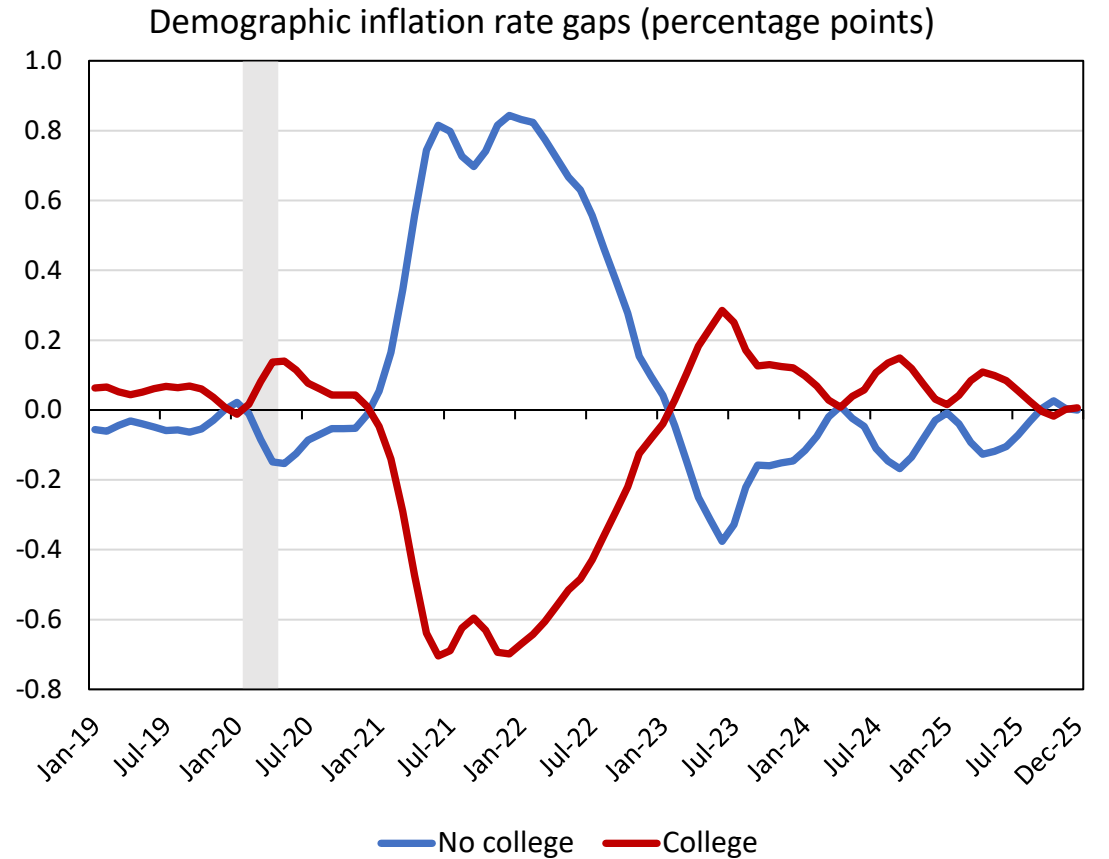


Demographic inflation gaps are calculated as demographic inflation less overall inflation.

## Demographic Inflation by Education

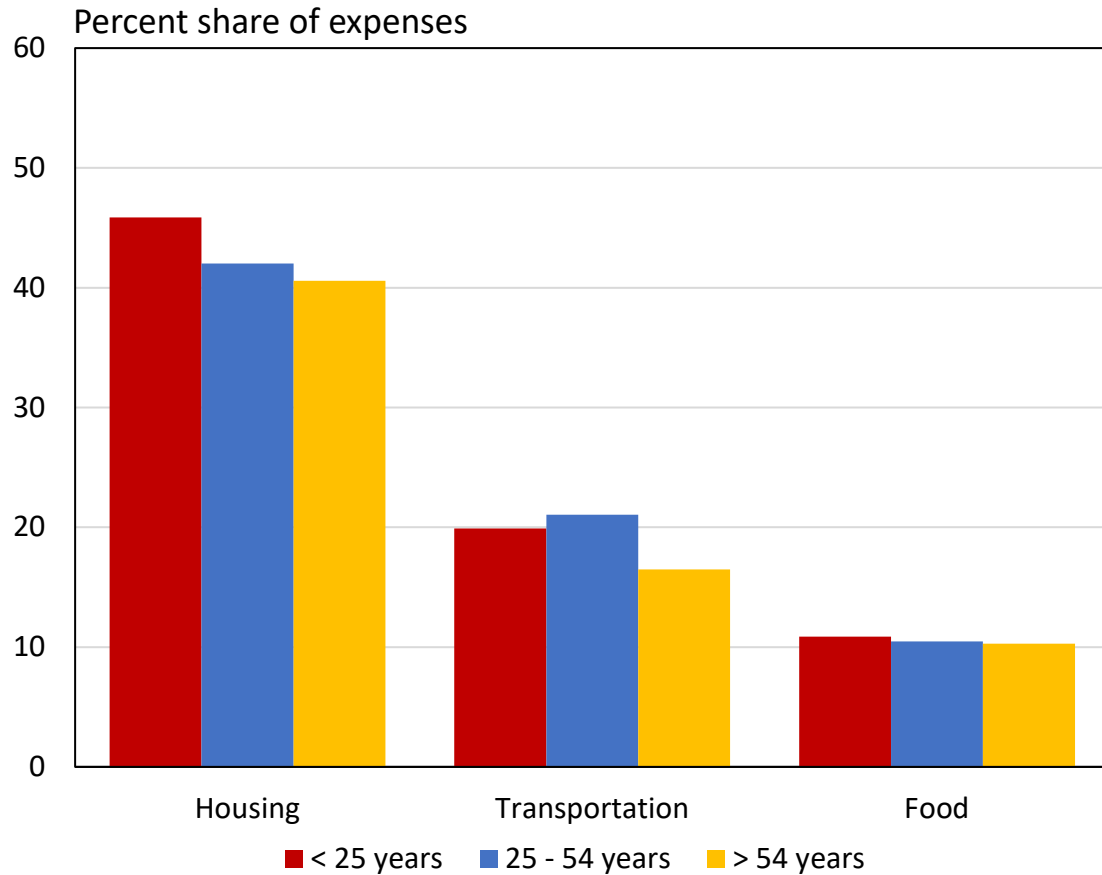


Source: BLS Consumer Expenditure Survey microdata; BLS Consumer Price Indexes.  
 Notes: Expenditure shares use 2021 CEX microdata. Shaded region indicates the COVID-19 recession.

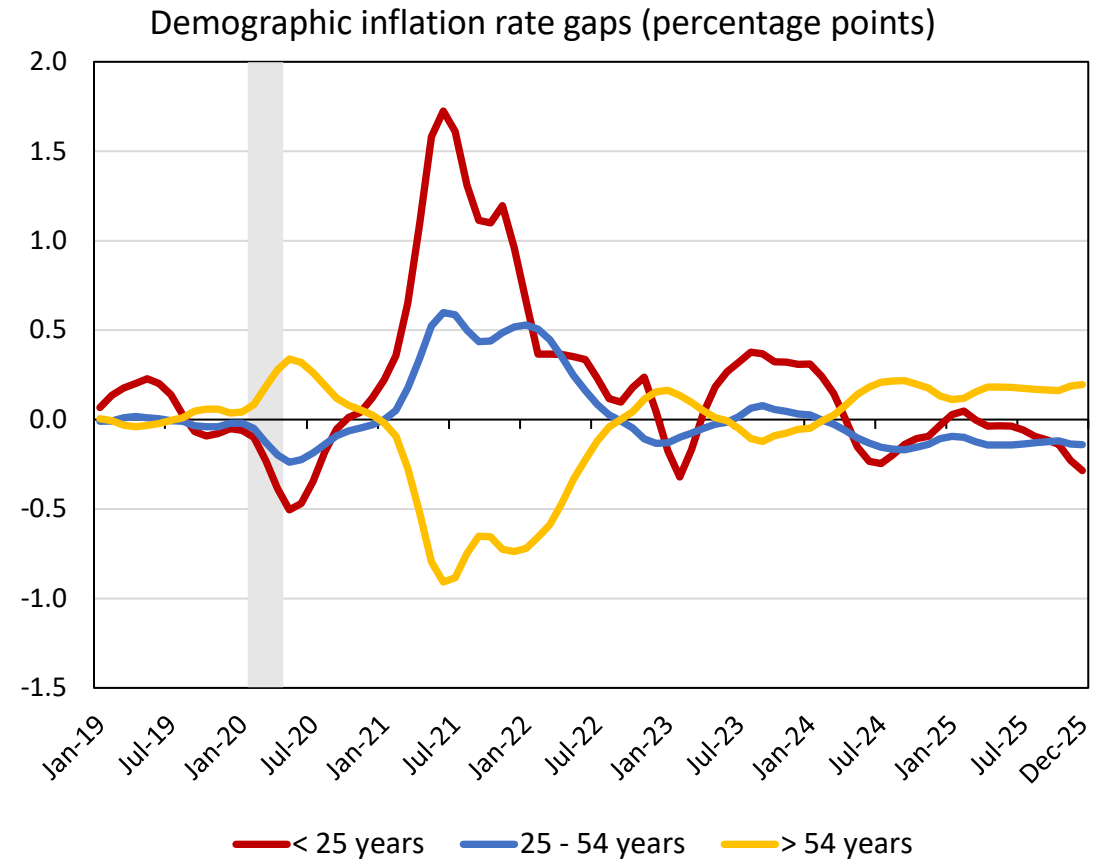


Demographic inflation gaps are calculated as demographic inflation less overall inflation.

## Demographic Inflation by Age

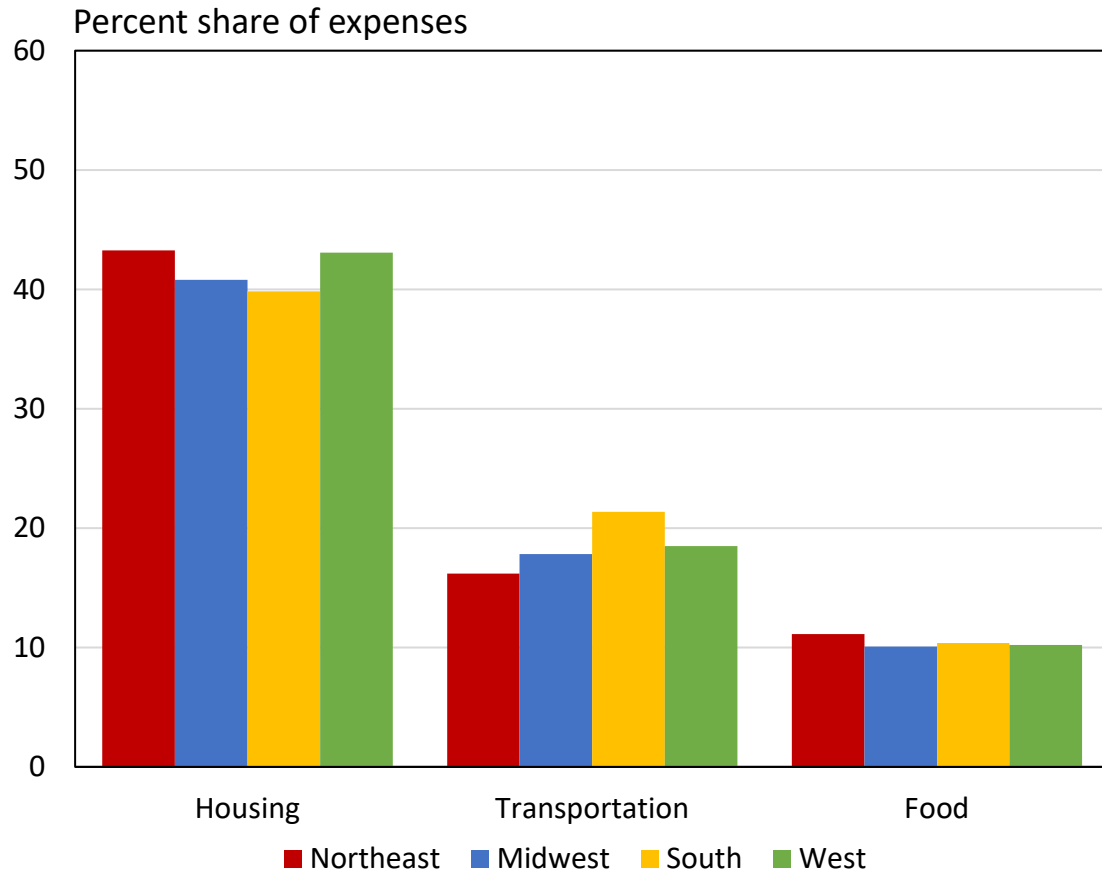


Source: BLS Consumer Expenditure Survey microdata; BLS Consumer Price Indexes.  
 Notes: Expenditure shares use 2021 CEX microdata. Shaded region indicates the COVID-19 recession.

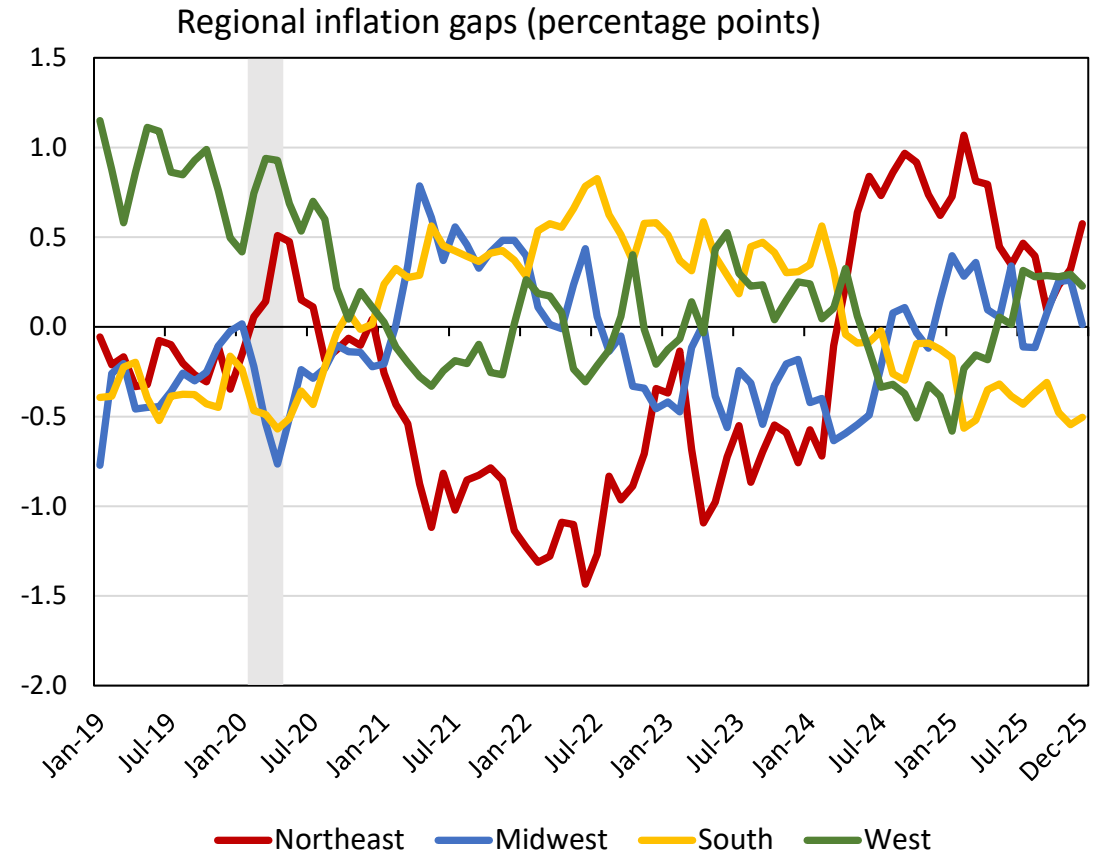


Demographic inflation gaps are calculated as demographic inflation less overall inflation.

## Demographic Inflation by U.S. Region

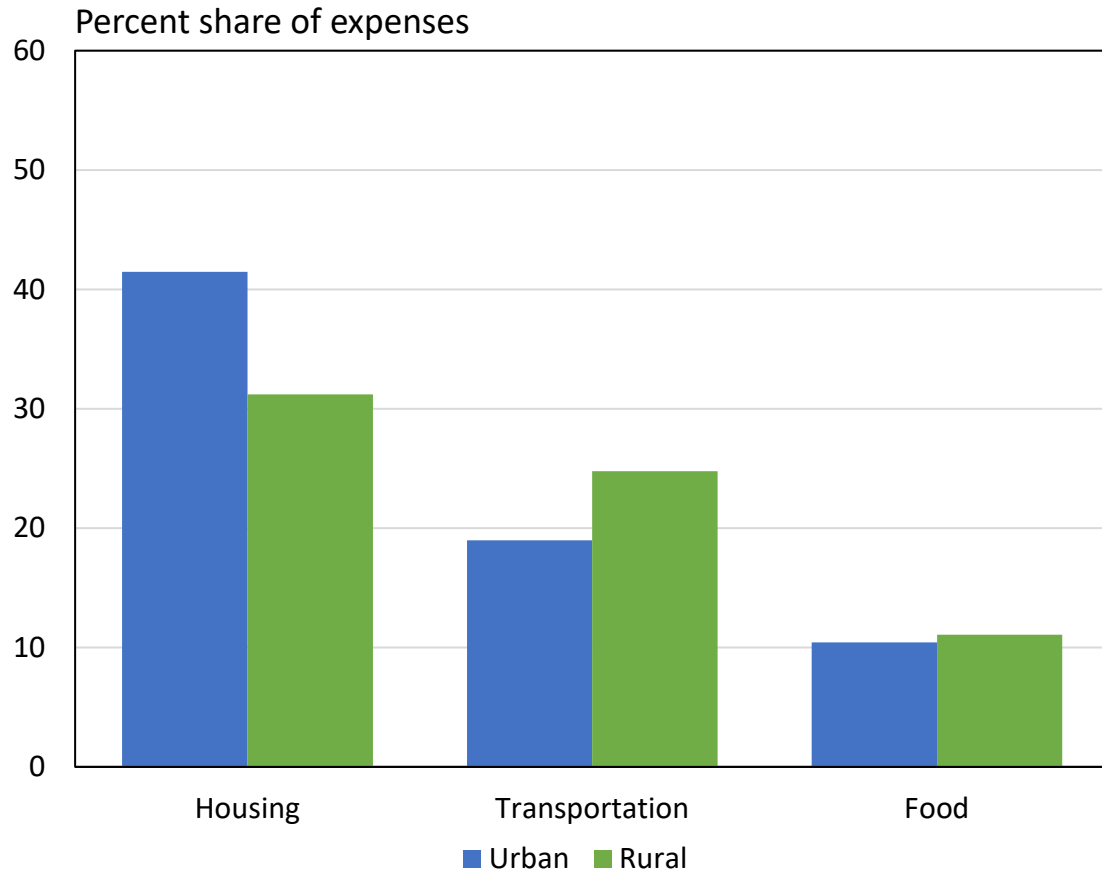


Source: BLS Consumer Expenditure Survey microdata; BLS Consumer Price Indexes.  
 Notes: Expenditure shares use 2021 CEX microdata. Shaded region indicates the COVID-19 recession.

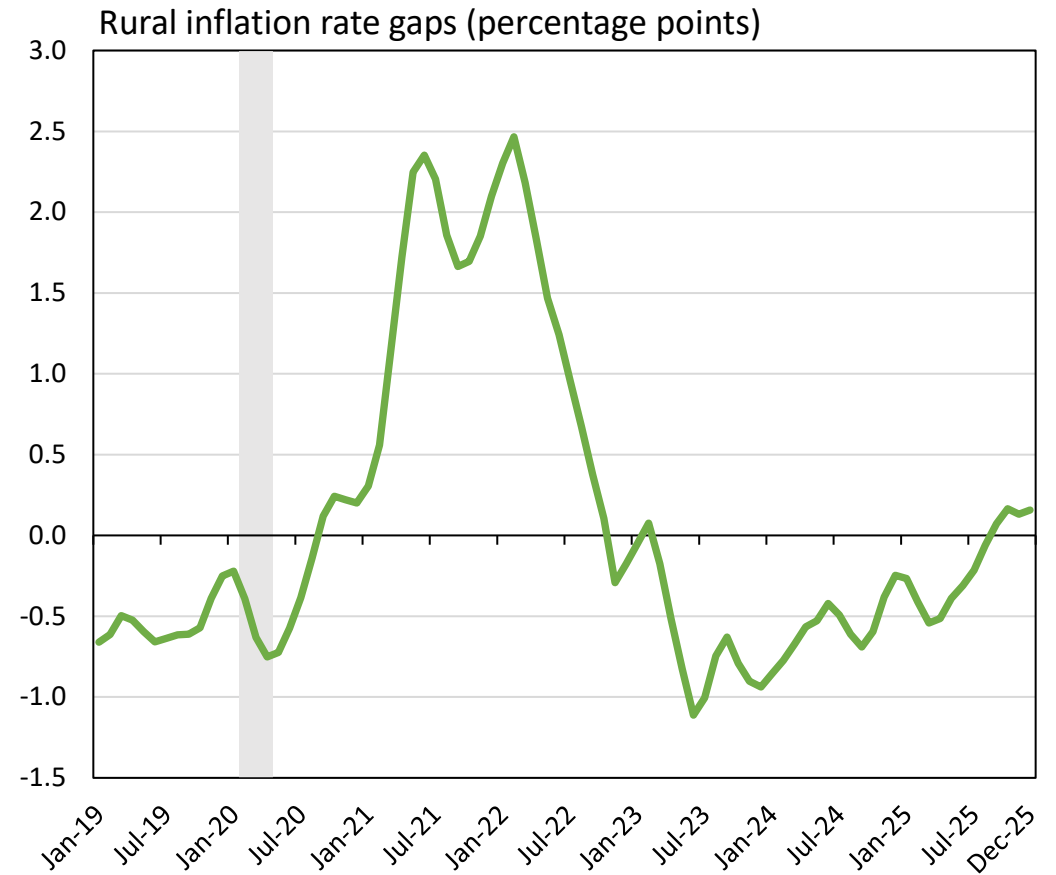


Regional inflation gaps are calculated as inflation of the region less overall inflation.

## Demographic Inflation by Urban Status



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



The rural inflation gap is calculated relative to urban inflation.