

INFLATION

UPDATED THROUGH February 2024 | REGIONAL

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Takeaways | Inflation

- 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 0.16-0.56 percentage point higher than the regional average in February 2024, while white households experienced inflation that is below this average. These gaps are explained by the lower budget share of housing 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, in part because the price of food, which forms a relatively larger part of the budget of lower-income households, has been growing slower than inflation overall.
- College-educated households in the region also experienced above average inflation because of their smaller exposure to housing and transportation inflation, both of which are below regional headline inflation.
- Middle-aged households in the region have above average inflation because of their greater budget share of housing.
- 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 regional average. These gaps have now subsided.

Full Report Highlights

- **INFLATION**

Inflation gaps are smaller than they were during the 2021-22 inflationary episode, but minority households, high-income households, college-educated households and middle-age households continue to experience above-average inflation in early 2024.

- **EARNINGS**

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 is slowly shrinking over time.

- **EMPLOYMENT**

The Black employment gap, specifically the gap for Black women, has been growing in the region despite shrinking in the nation.

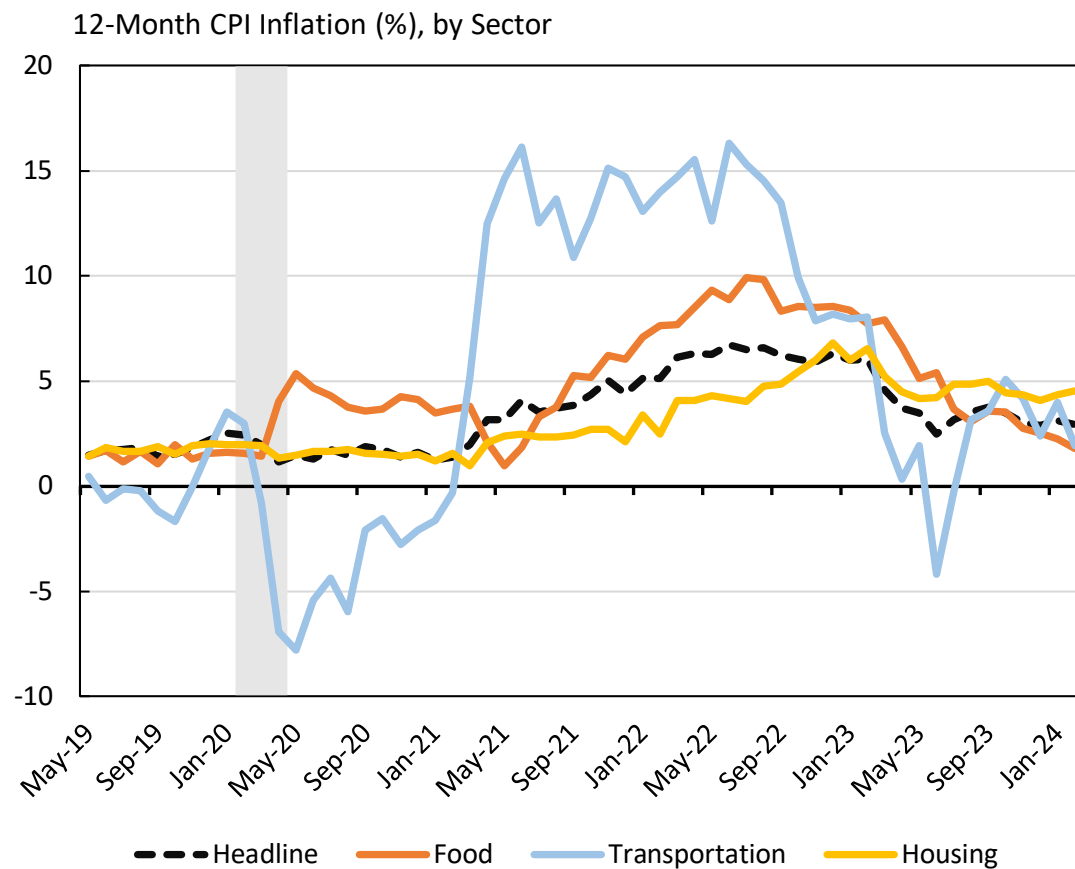
- **CONSUMER SPENDING**

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

Data & Methods

- 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.

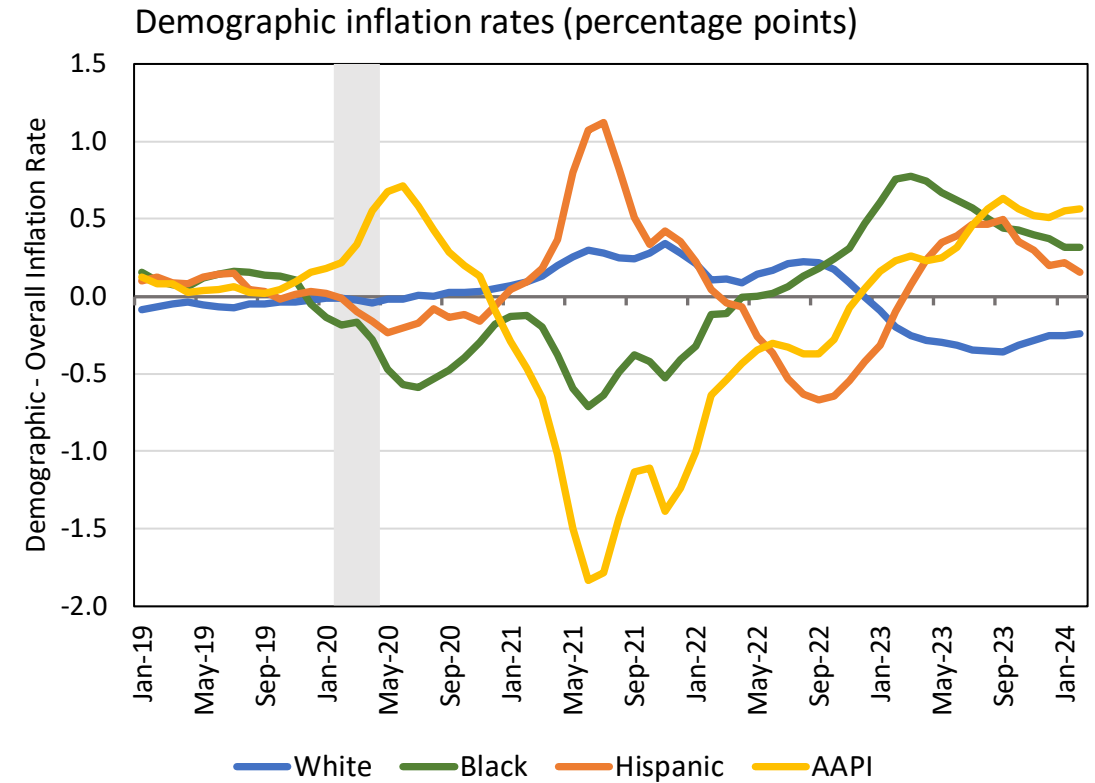
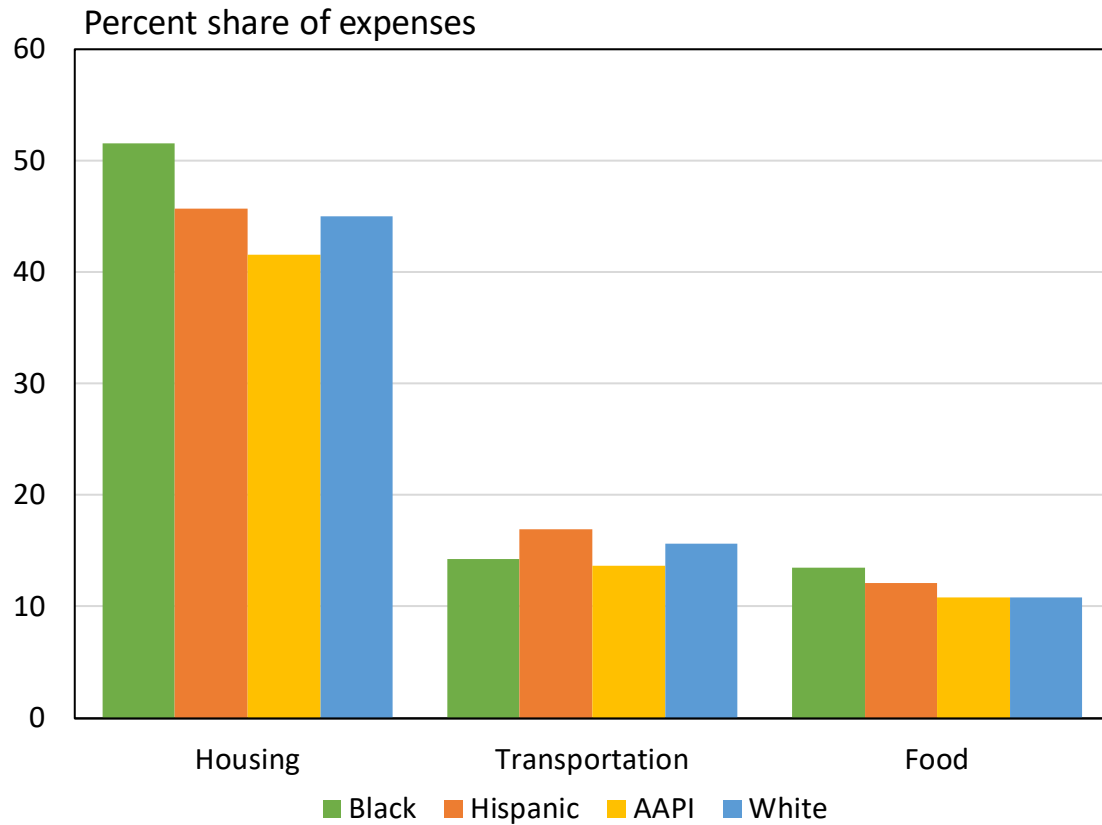
Inflation by Sector



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.

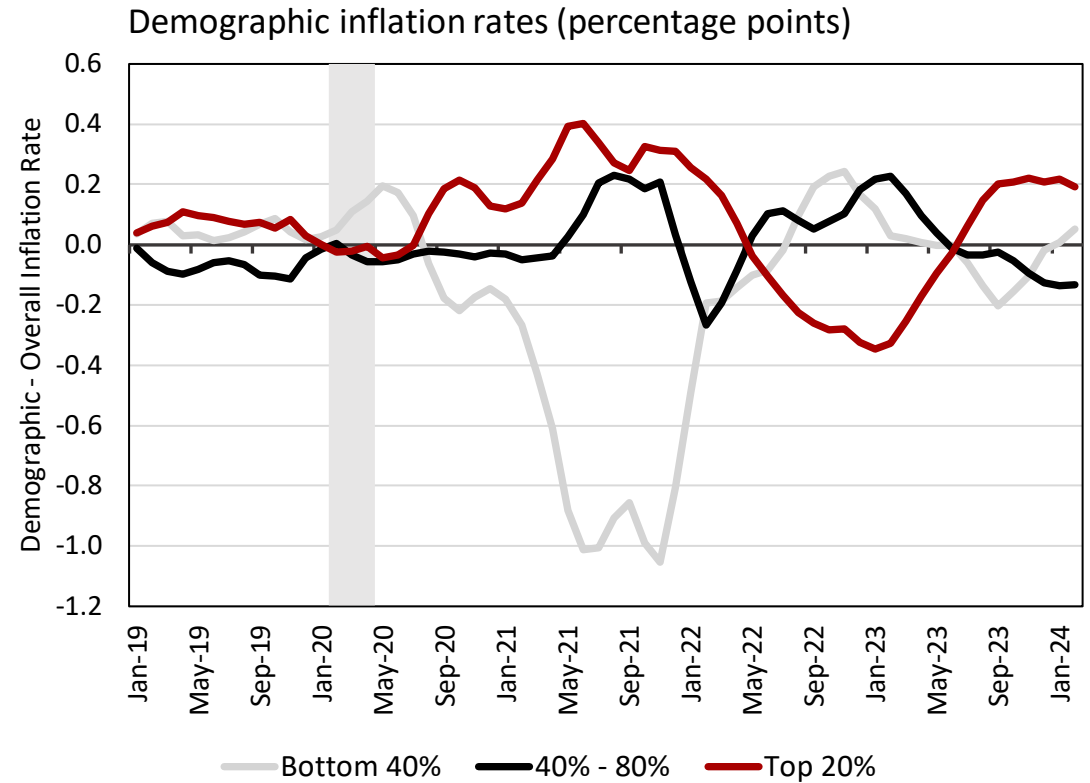
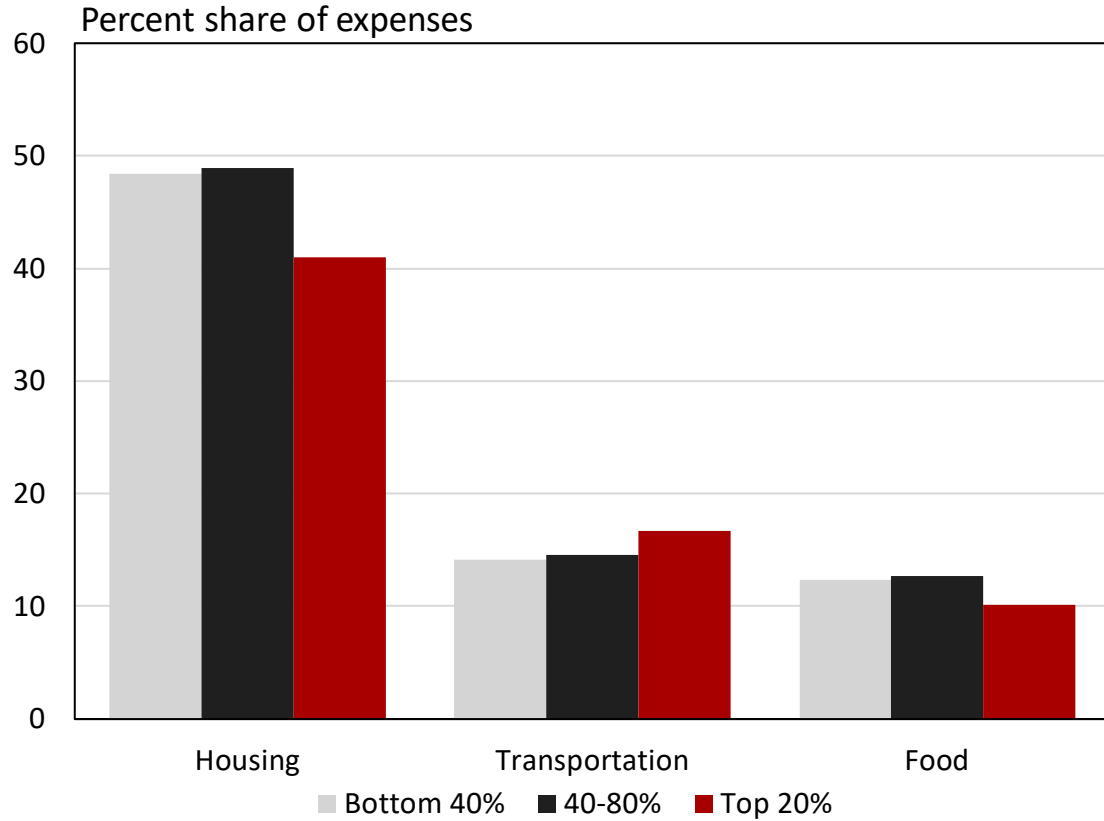
Demographic Inflation by Race/Ethnicity



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.

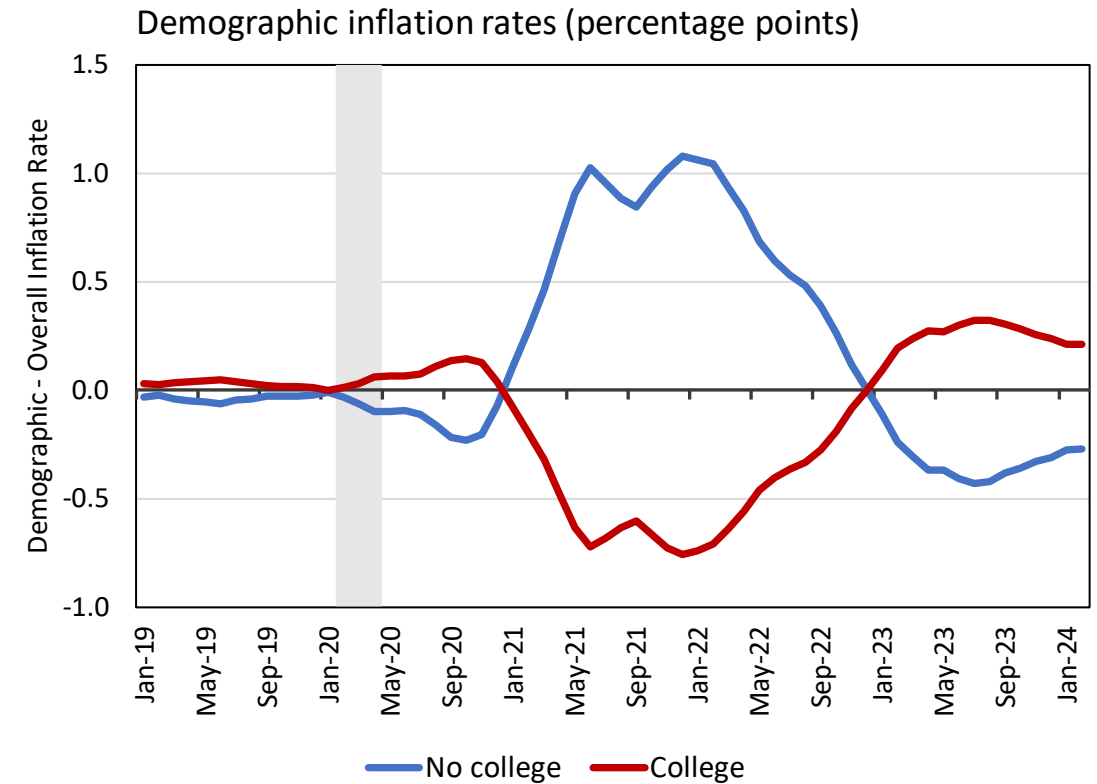
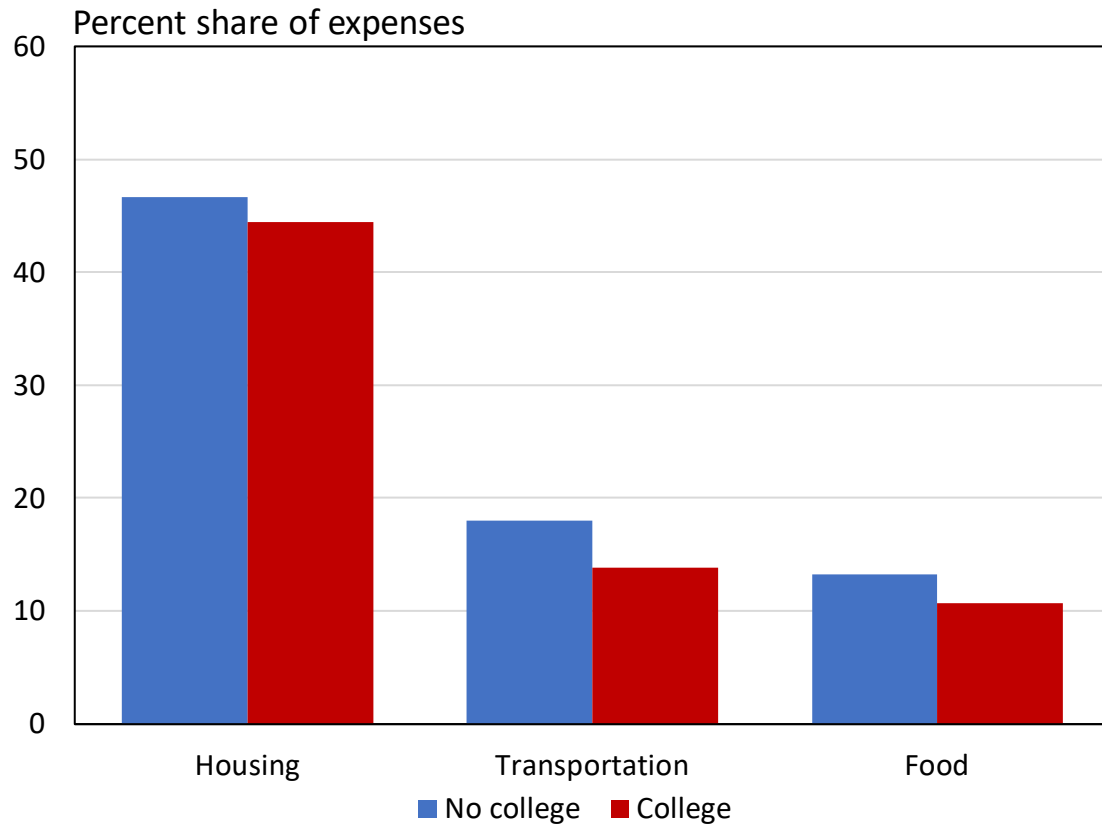
Demographic Inflation by Income



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.

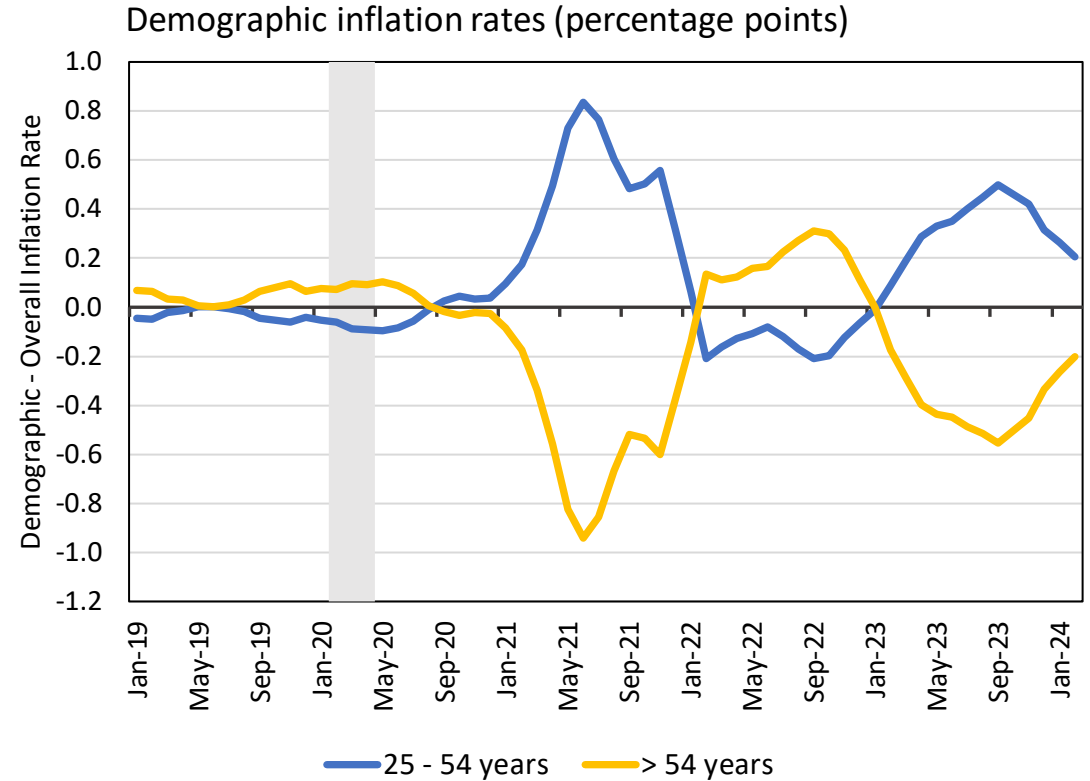
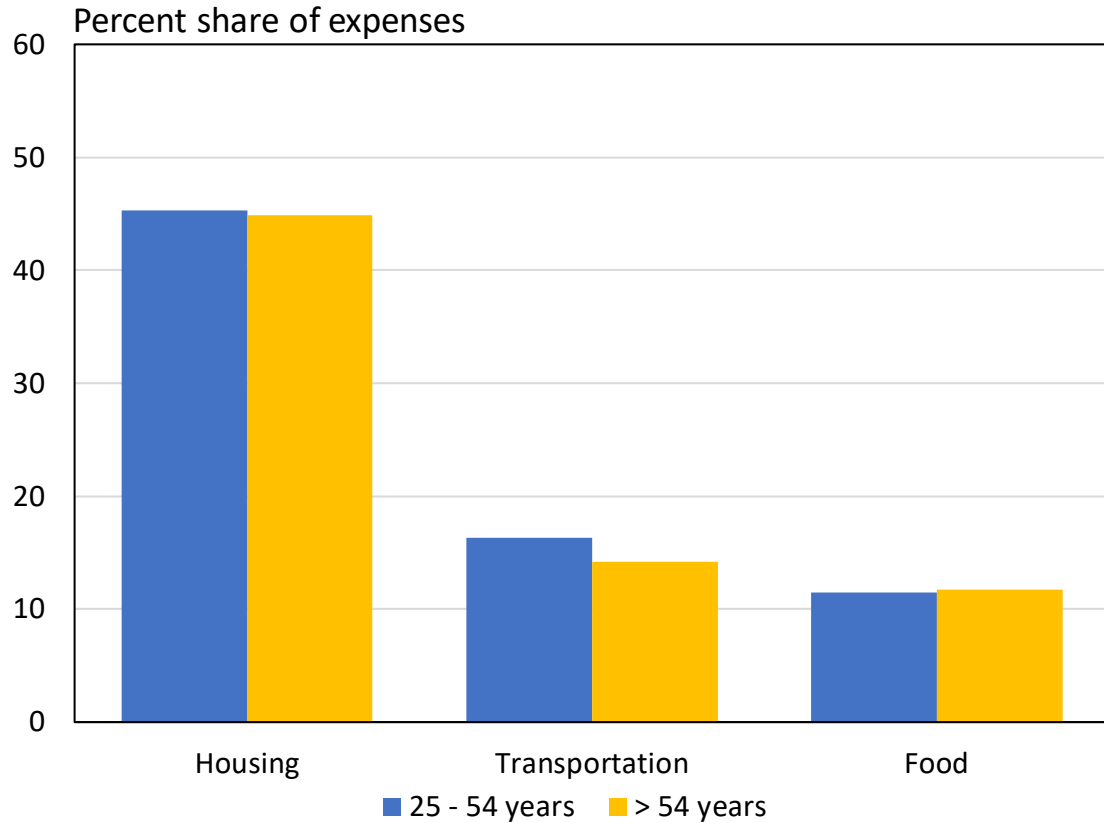
Demographic Inflation by Education



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.