

INFLATION

UPDATED THROUGH MAY 2024 | REGIONAL

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Takeaways | Inflation

- Inflation in the Second District has risen faster than in the nation over 2024:Q2 and now stands higher than in the nation.
- Hispanic households in the region experienced inflation that is around 0.5 percentage point lower than the regional average in May 2024, while Black and AAPI households experienced inflation that is above this average, and white households experienced the regional average inflation.
- Inflation for households of different incomes largely converged in May 2024, as did, to a lesser extent, inflation for households of different education levels.
- Inflation gaps in the Second District were much larger 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

- **INFLATION**

Inflation rates have converged across groups with different incomes and ages, as well as, to a lesser extent, education levels. This is in part because of rising inflation in a variety of important consumption categories in the region.

- **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 between men and women have remained in their long-run ranges, though the Black earnings gap and the gender earnings gap are slowly shrinking over time.

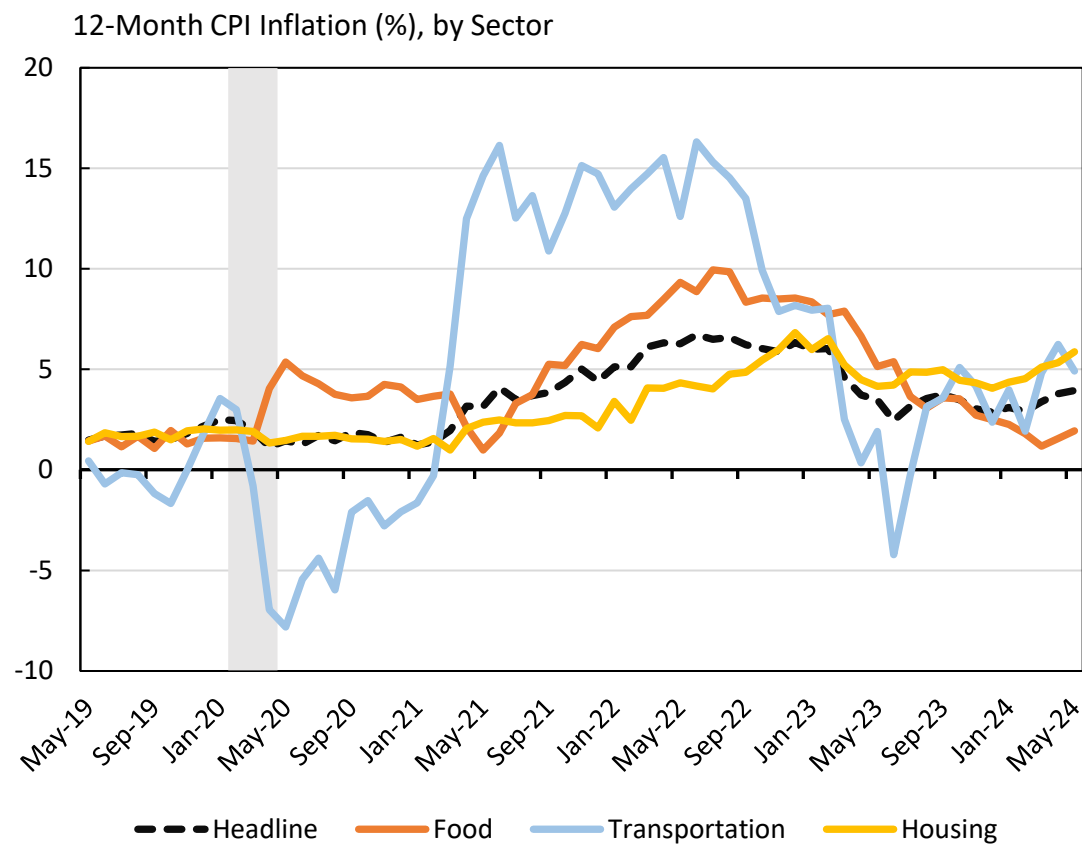
- **EMPLOYMENT**

Labor market gaps have declined in the region at rates similar to those of the nation as a whole. In particular, the gender gap in the region has declined faster and fallen lower than the national gender gap. On the other hand, employment and LFP gaps for Black workers relative to white workers tend to be wider in the region than in the nation, though for unemployment gaps the reverse is true.

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.

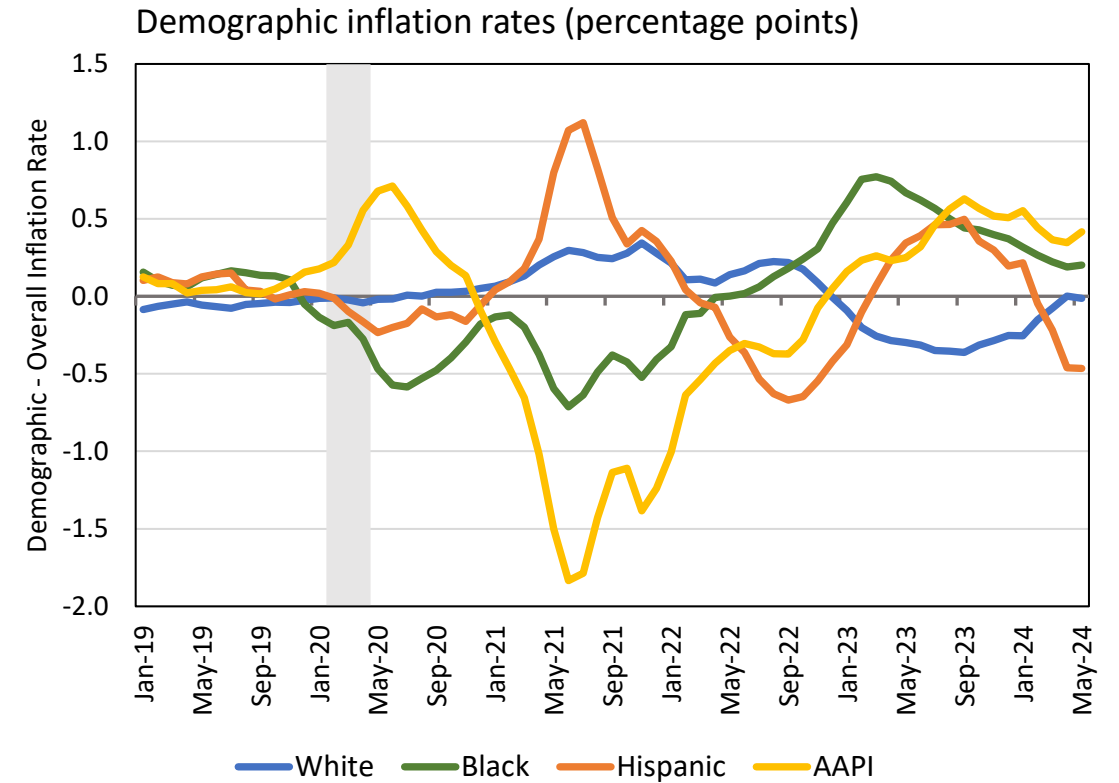
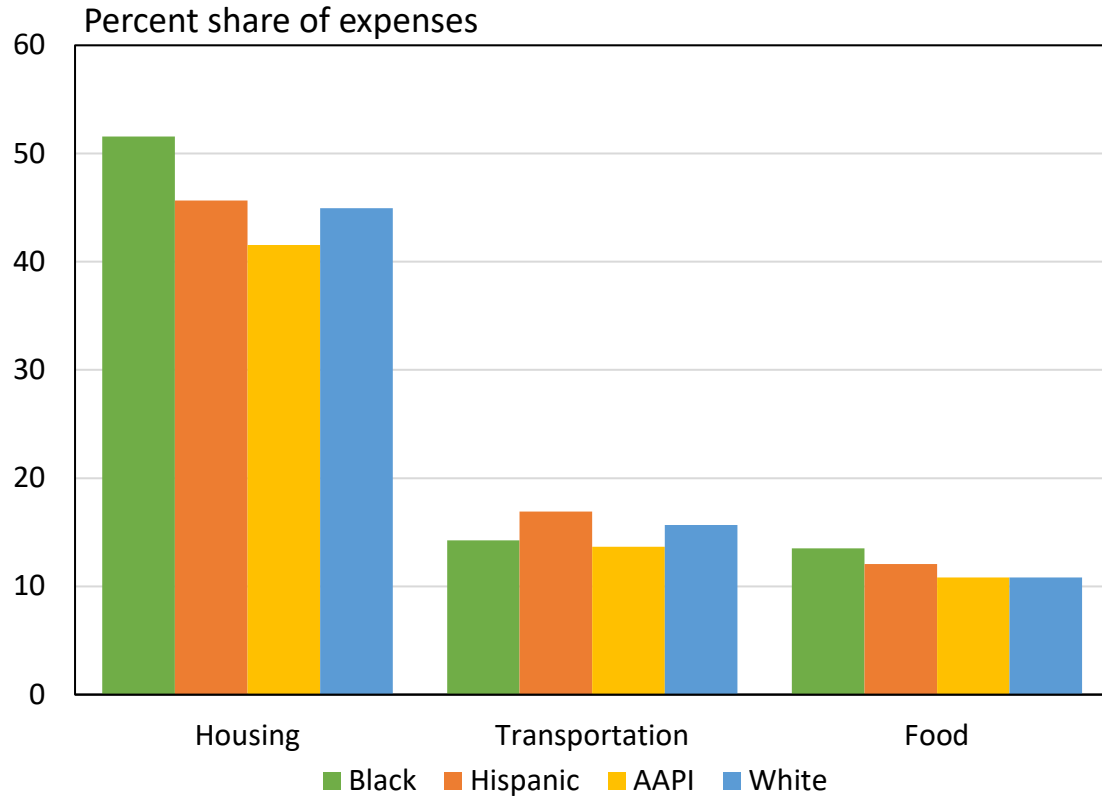
Inflation by Sector



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.

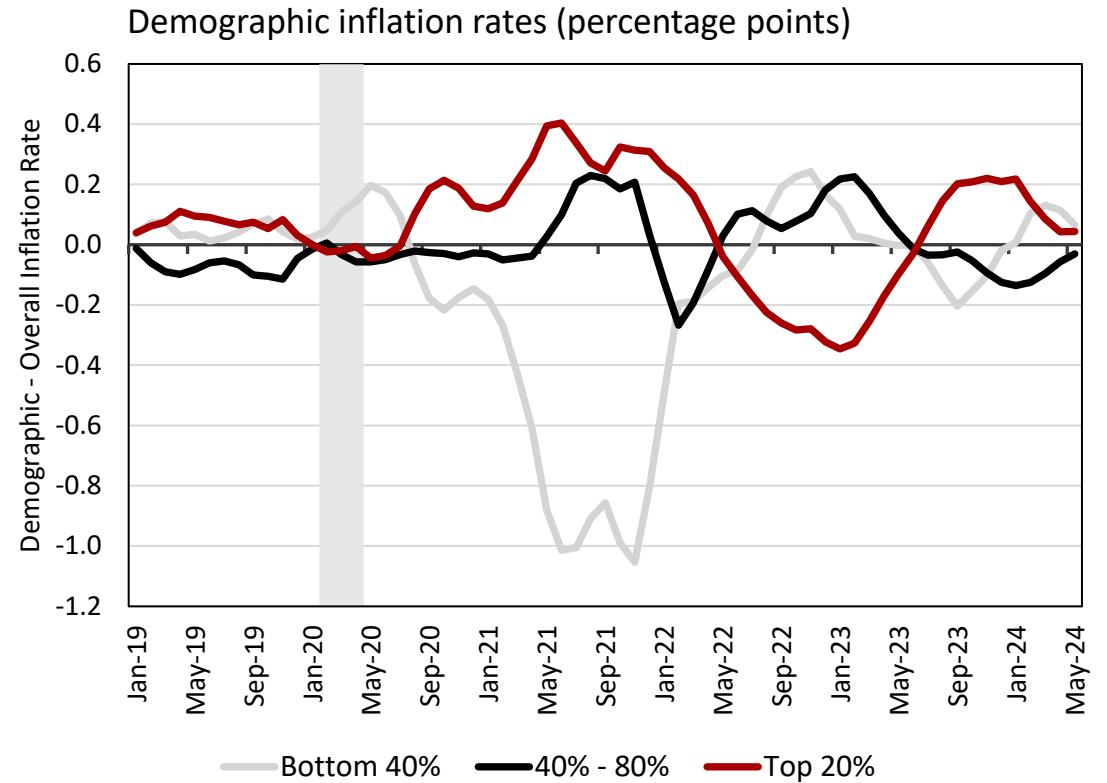
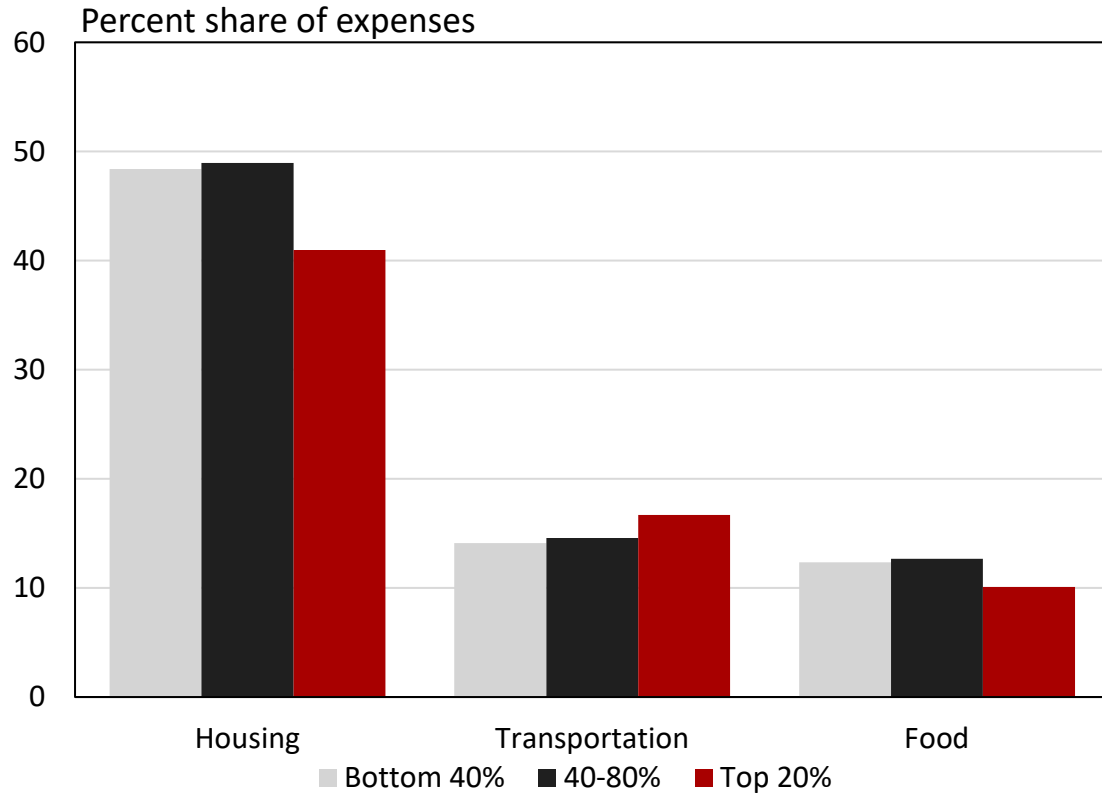
Demographic Inflation by Race/Ethnicity



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.

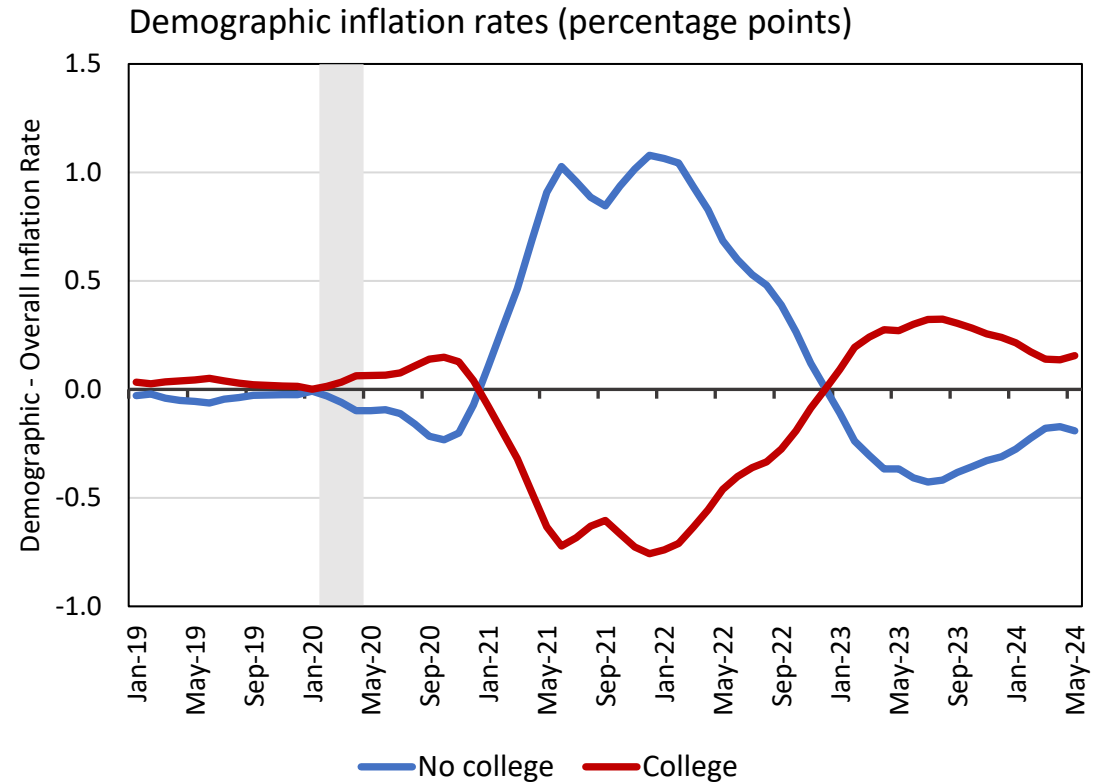
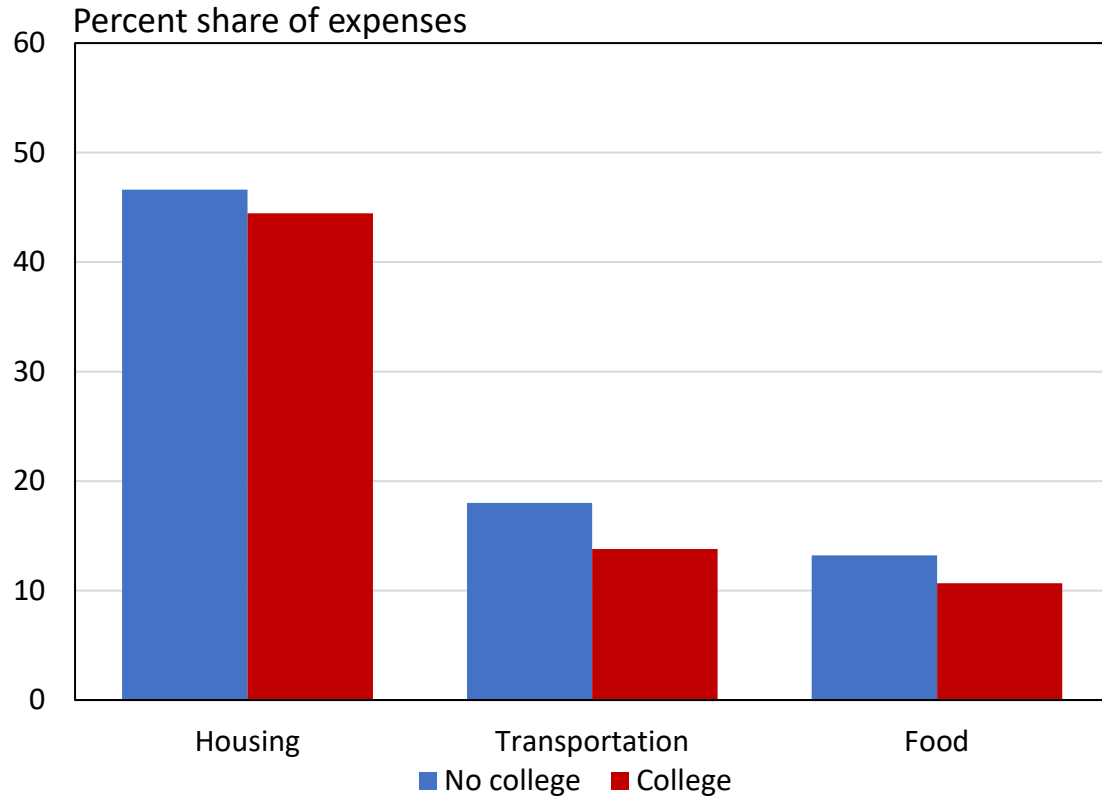
Demographic Inflation by Income



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

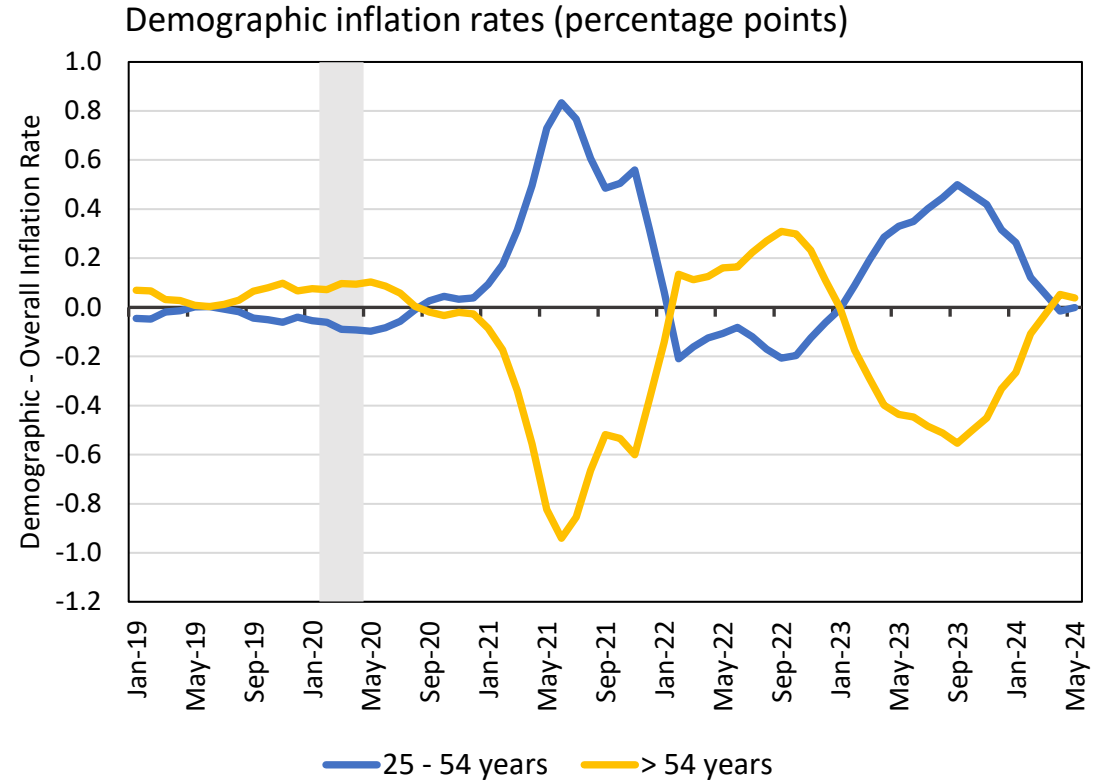
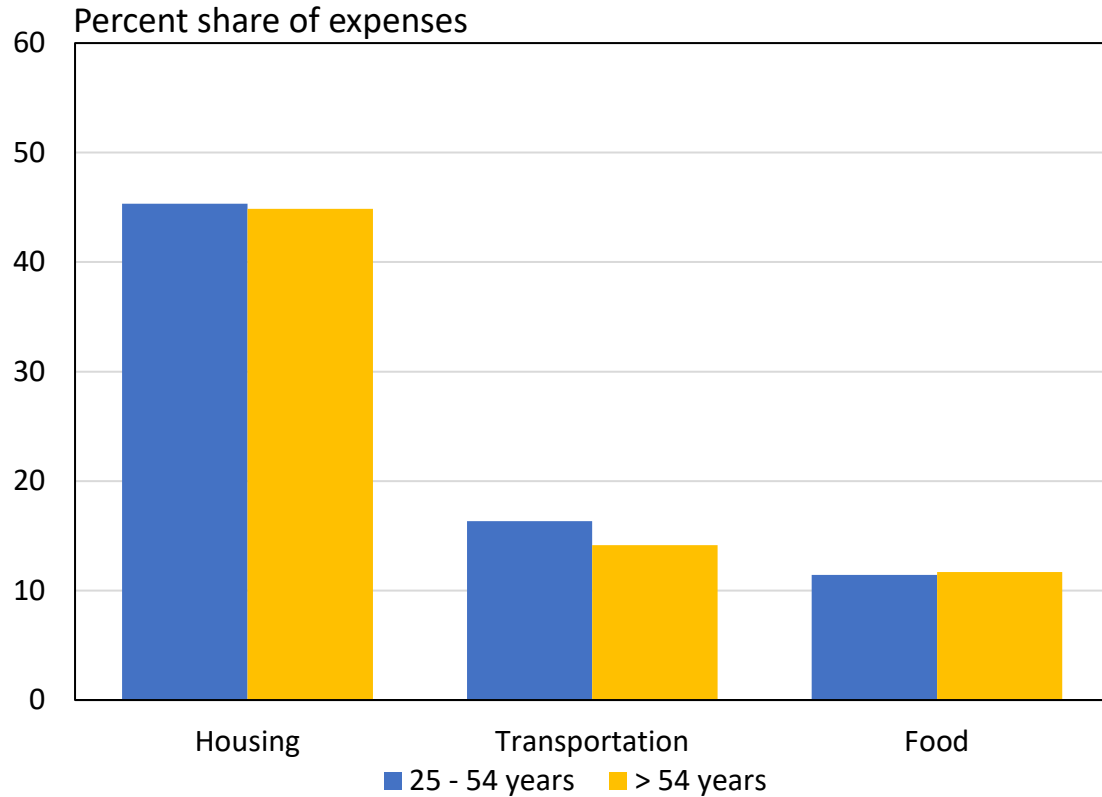
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Demographic Inflation by Education



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Demographic Inflation by Age



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