

FEDERAL RESERVE BANK *of* NEW YORK

Inflation Disparities Across Demographic Groups

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Equitable Growth, the Dual Mandate and Inflation

Motivating questions

- Large inflationary pressures in 2021-22 are well established in aggregate national data.
 - Were there differences in inflationary experiences across demographic groups?
 - How can we compare inflation between demographic groups?
 - Data on inflationary pressures by demographic groups are not produced directly.
- Equitable growth questions often focus on the labor market, but what about the other half of the dual mandate?

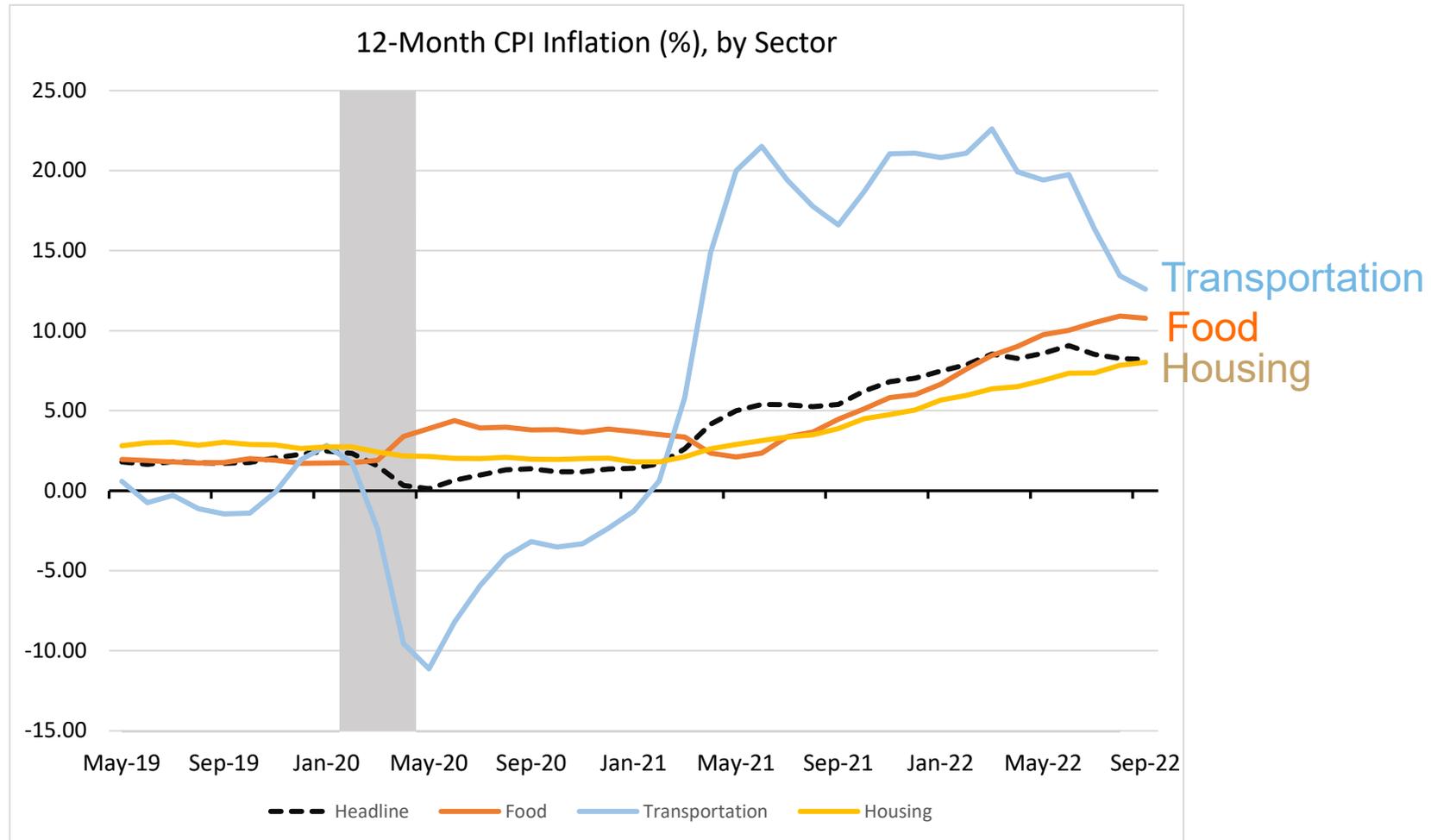
Findings

- Inflation gaps widened considerably during the 2021 inflationary episode.
- The groups experiencing higher inflation than the overall average were
 - Middle-income earners
 - Young people
 - People without a college degree
 - Residents of the South and the Midwest
 - Black and Hispanic Americans

Understanding Differences in Inflationary Pressures

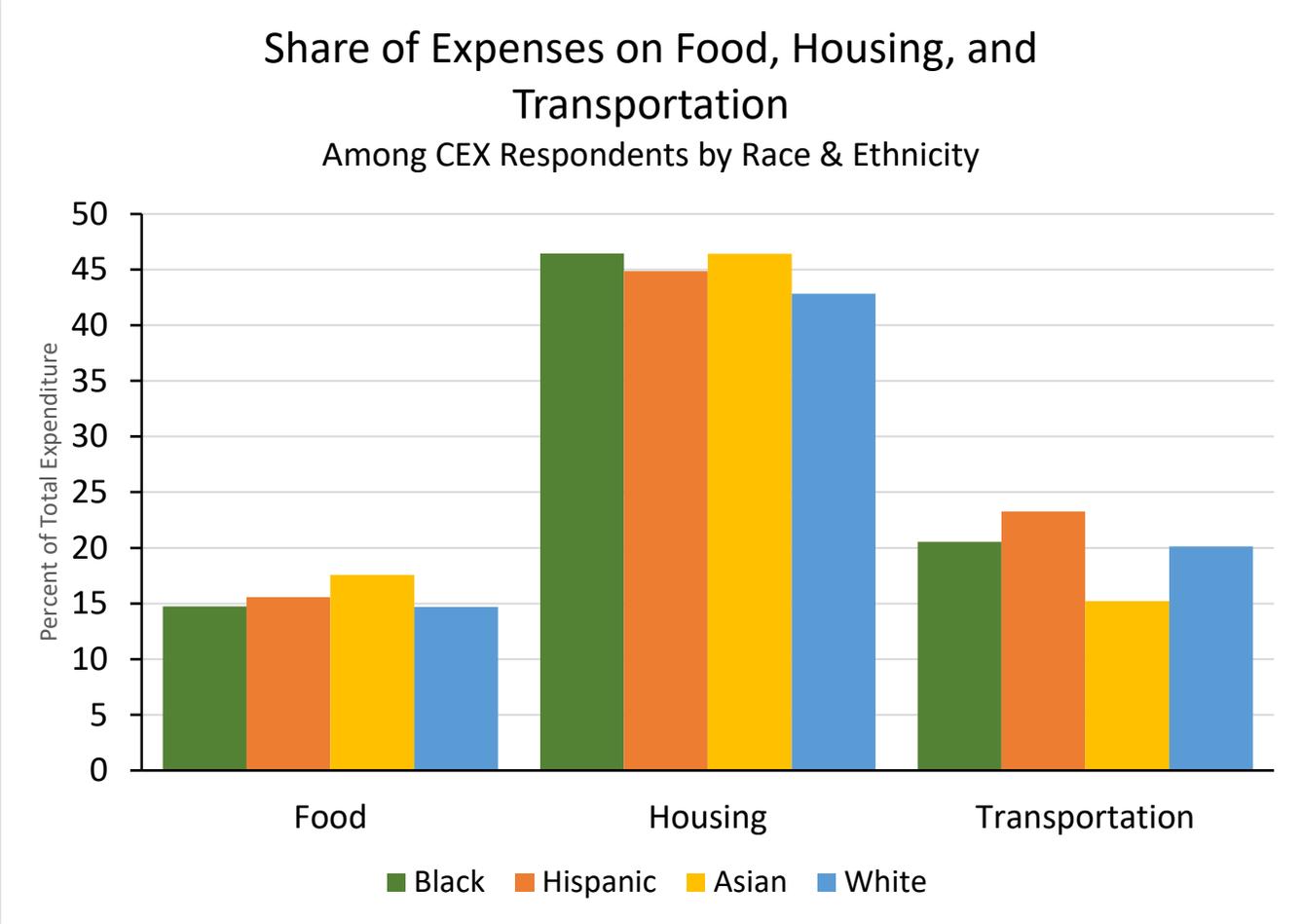
- We compute measures of demographic inflation leveraging two key pieces of available data
 - National measures of inflation for various goods and services
 - Share of expenditures in these goods and service categories for demographic groups
- Dynamics of relative inflation gaps are driven by differences in transportation shares in consumption.

Inflation in Transportation Surpassed Inflation in other sectors



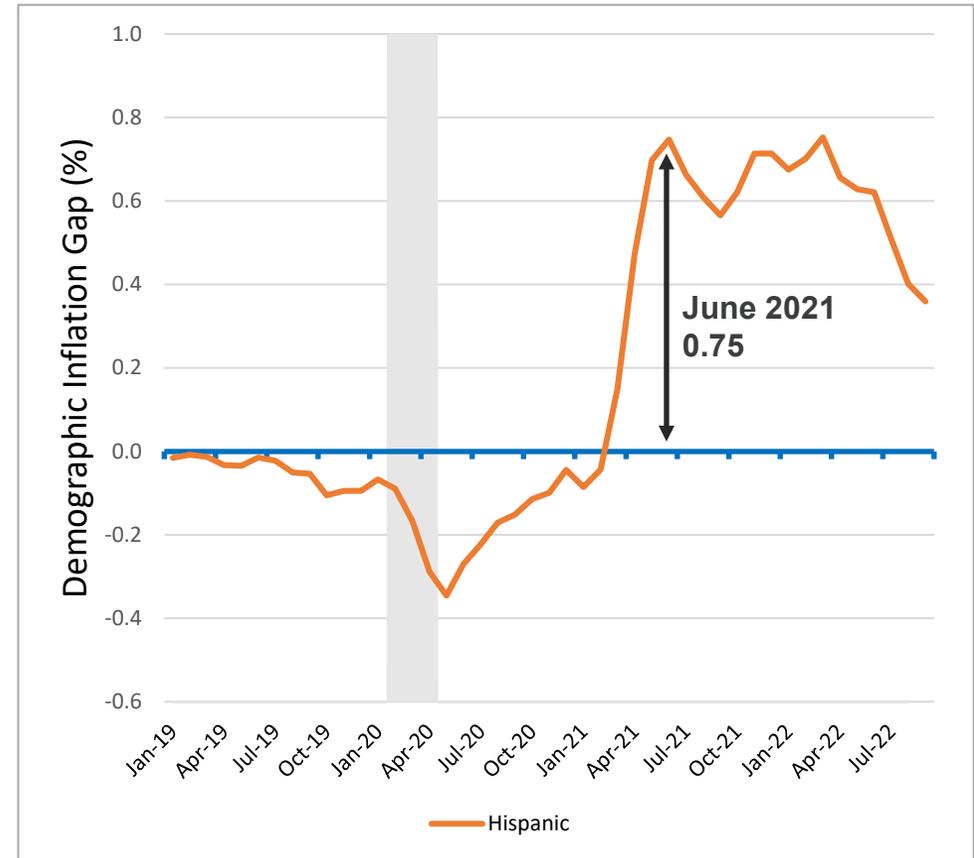
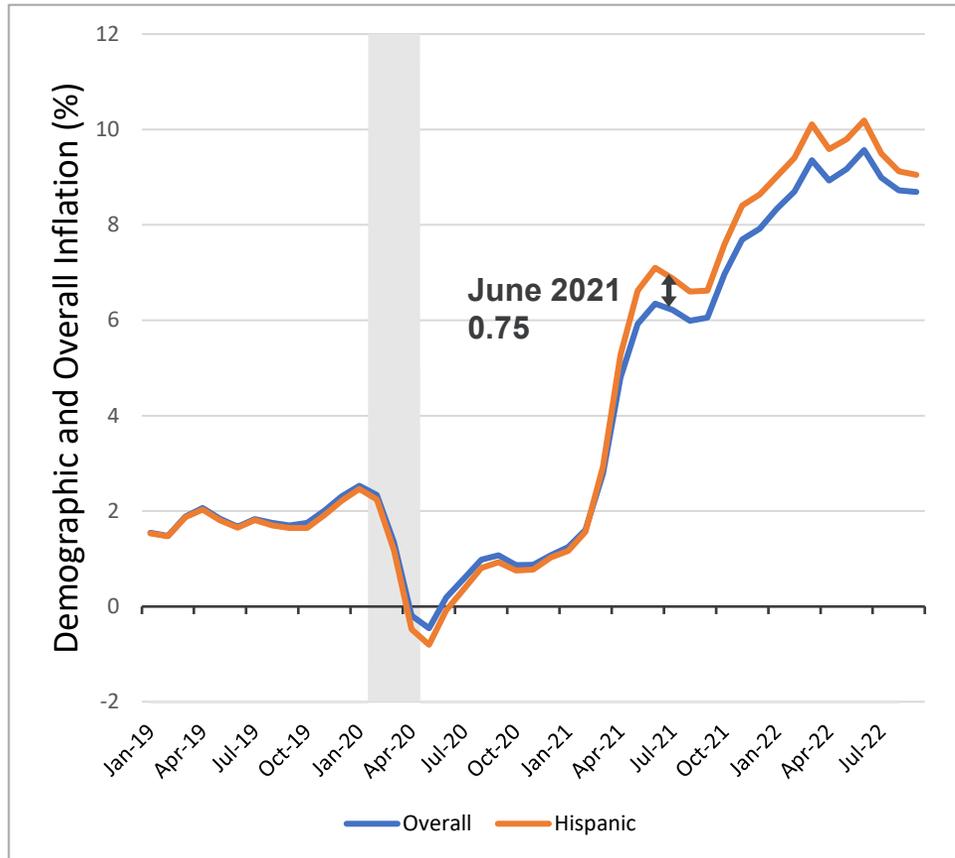
Source: CPI via Haver Analytics; Author's calculations.

Transportation Constitutes a Higher Share of Expenditure for Black and Hispanic Americans

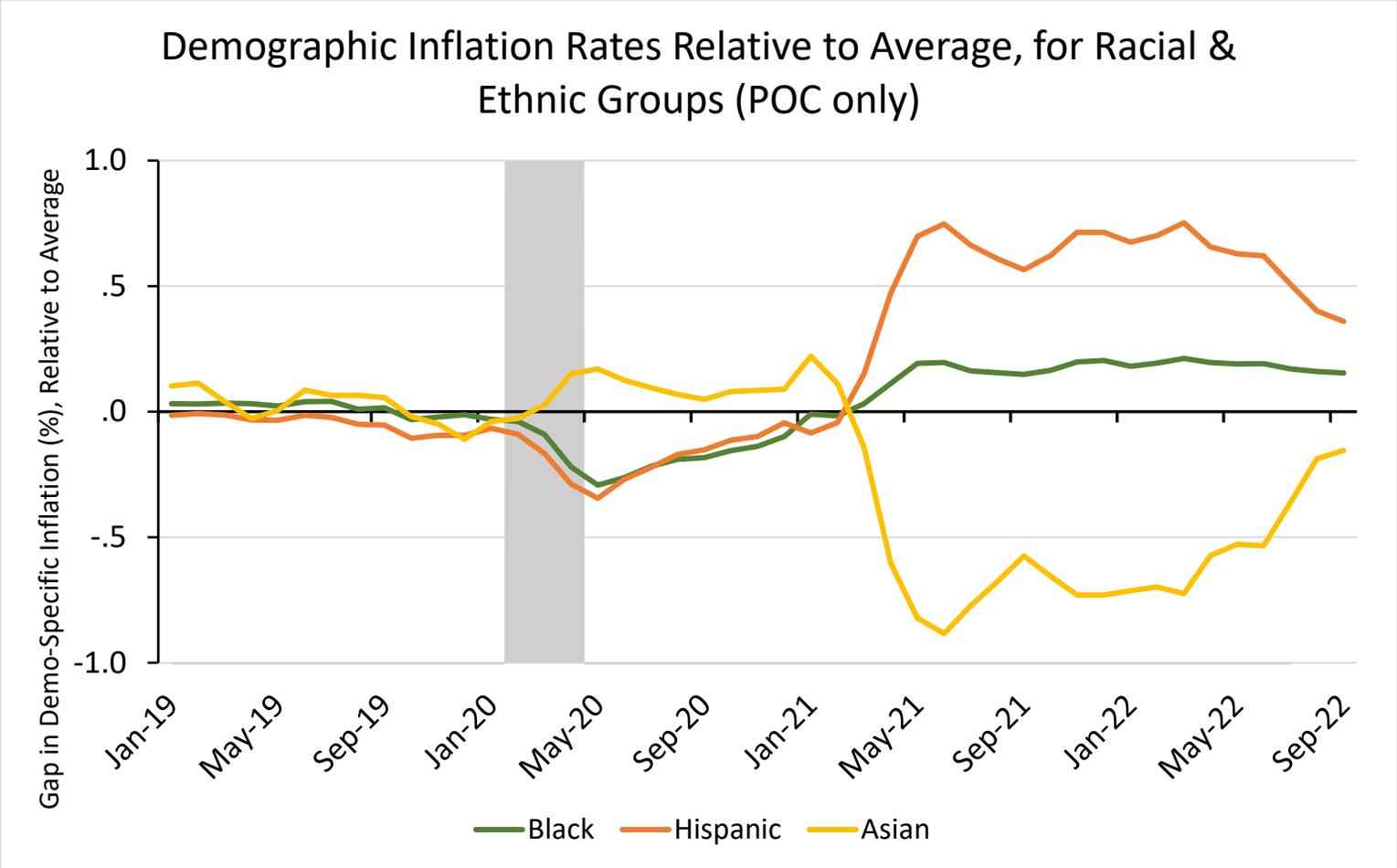


Source: BLS Consumer Expenditure Survey, 2020; Author's calculations.

How We Estimate Demographic Inflation Gaps

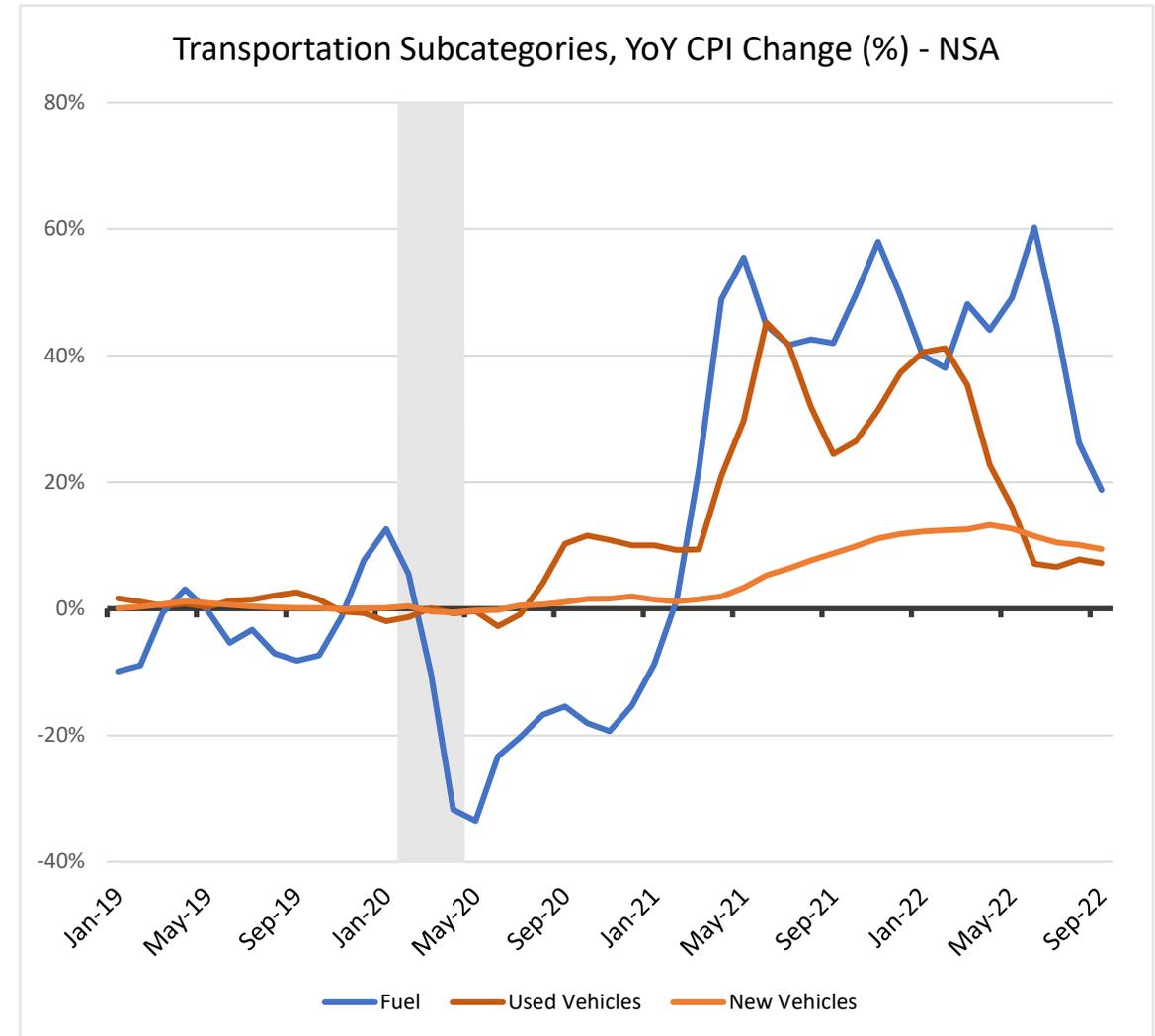
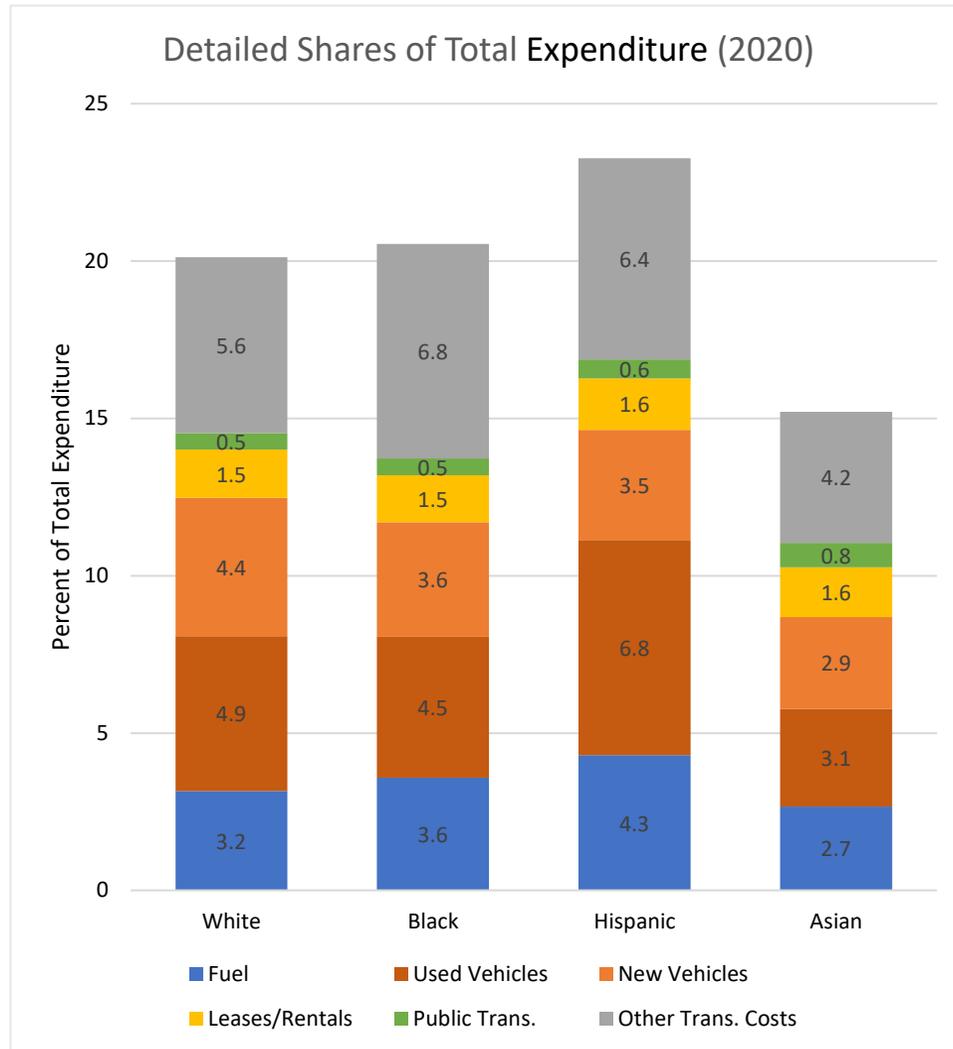


Black and Hispanic Americans experience stronger inflationary pressures



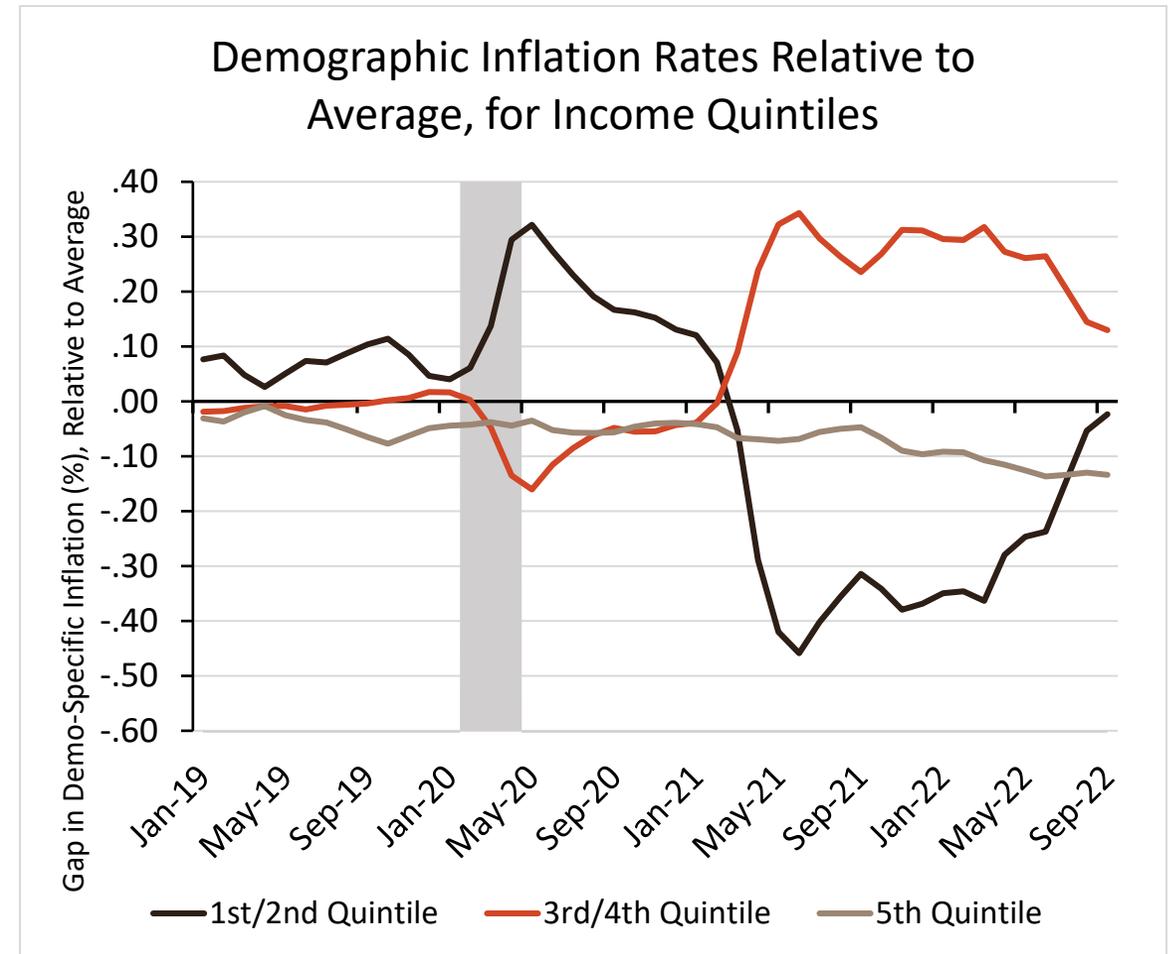
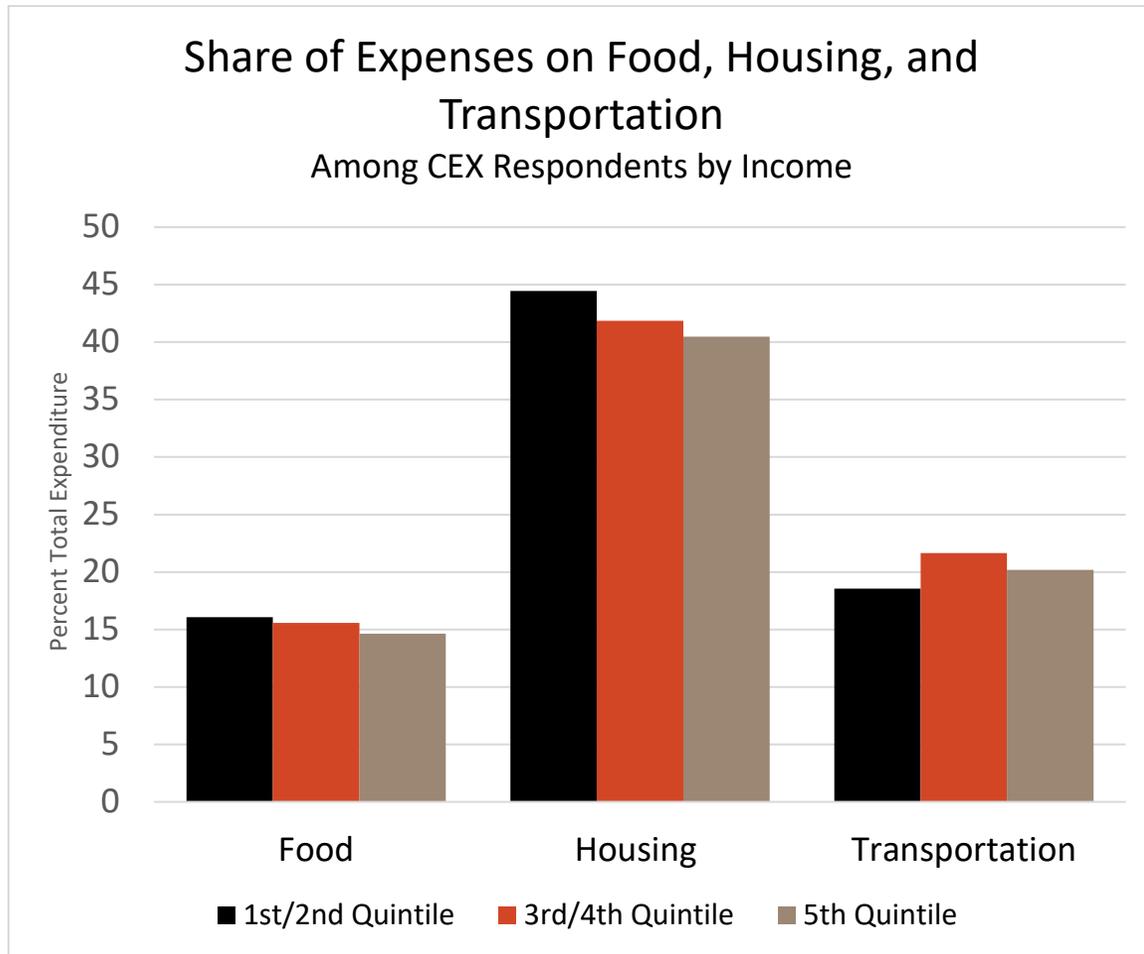
Source: BLS Consumer Expenditure Survey, 2019 - 2021; Author's calculations.

Heterogeneity of transportation subcategory spending and inflation

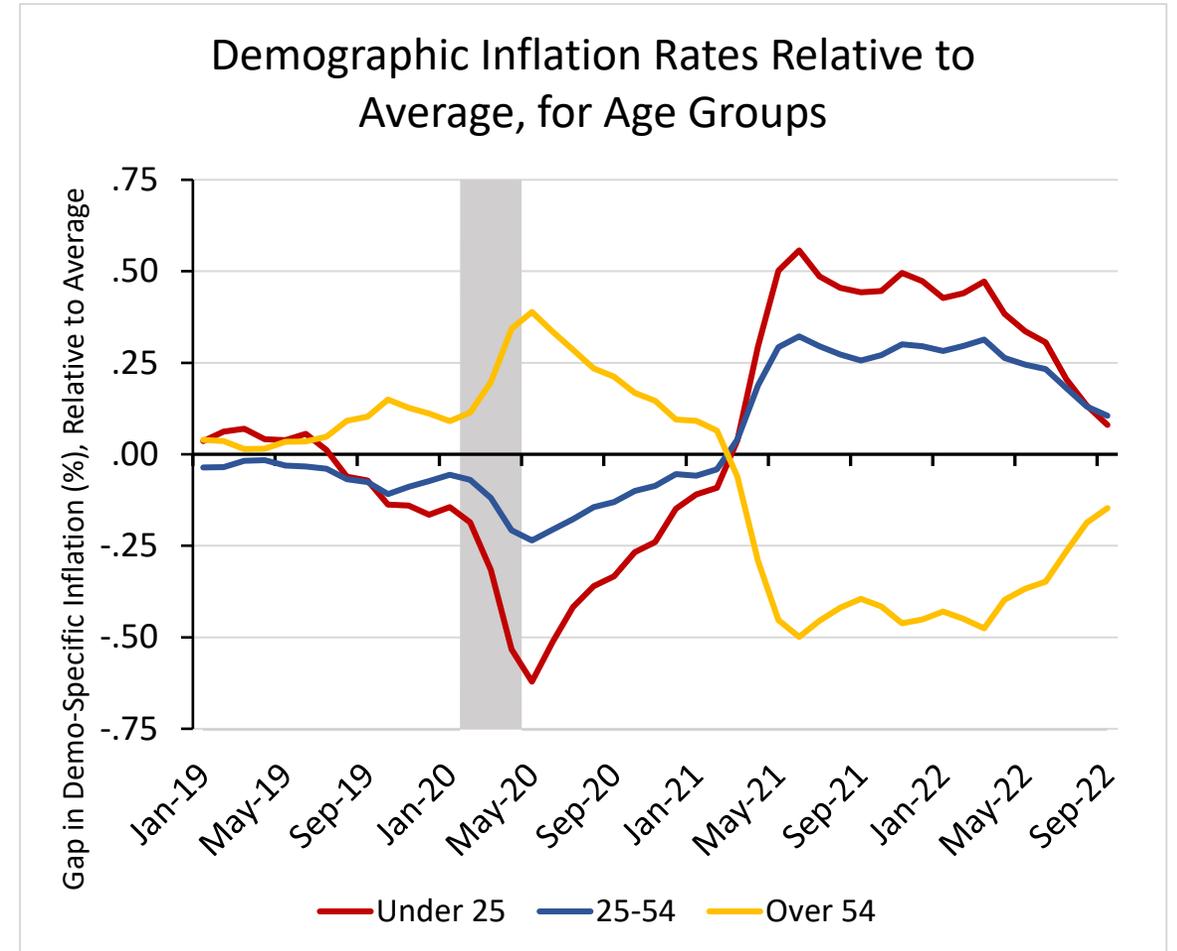
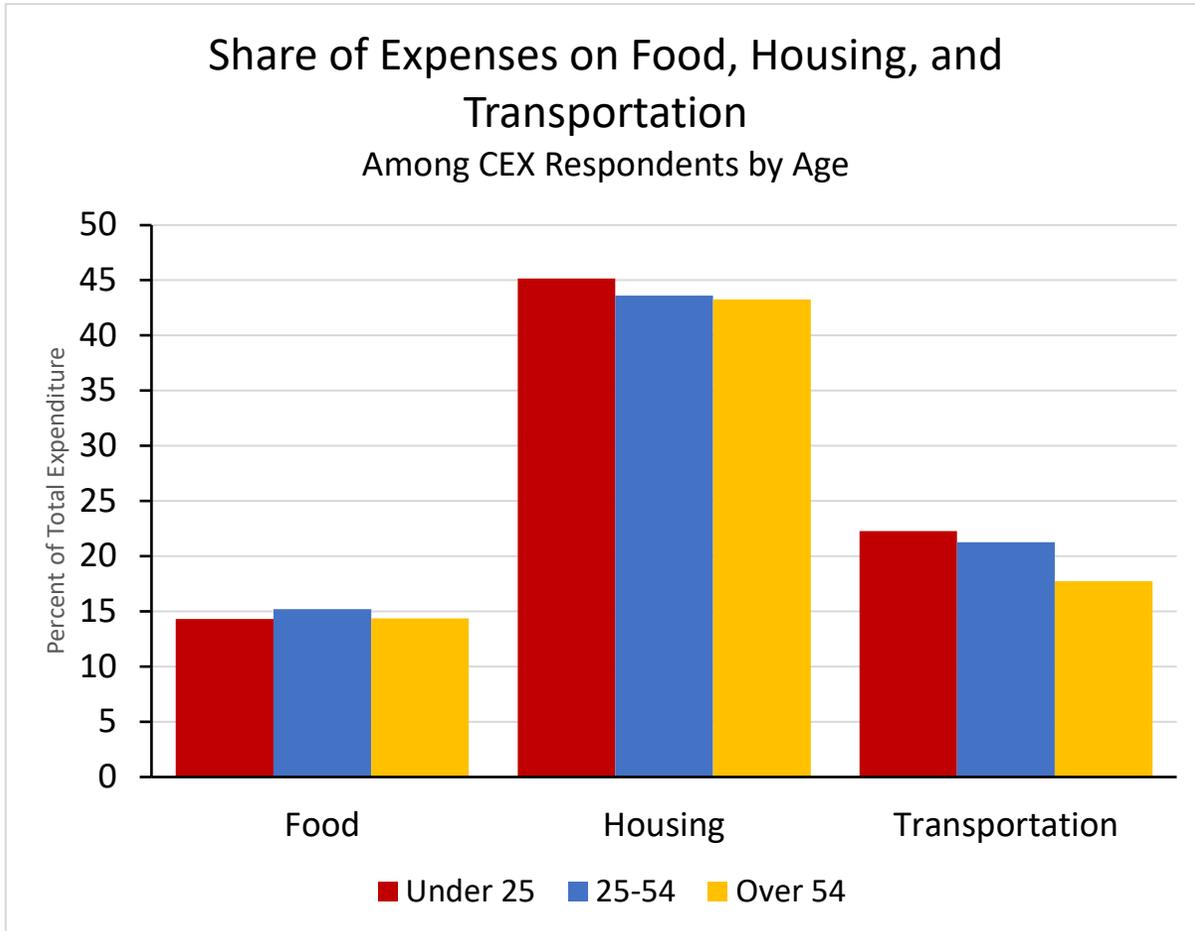


Source: CPI via Haver Analytics and BLS Consumer Expenditure Survey, 2020; Author's calculations.

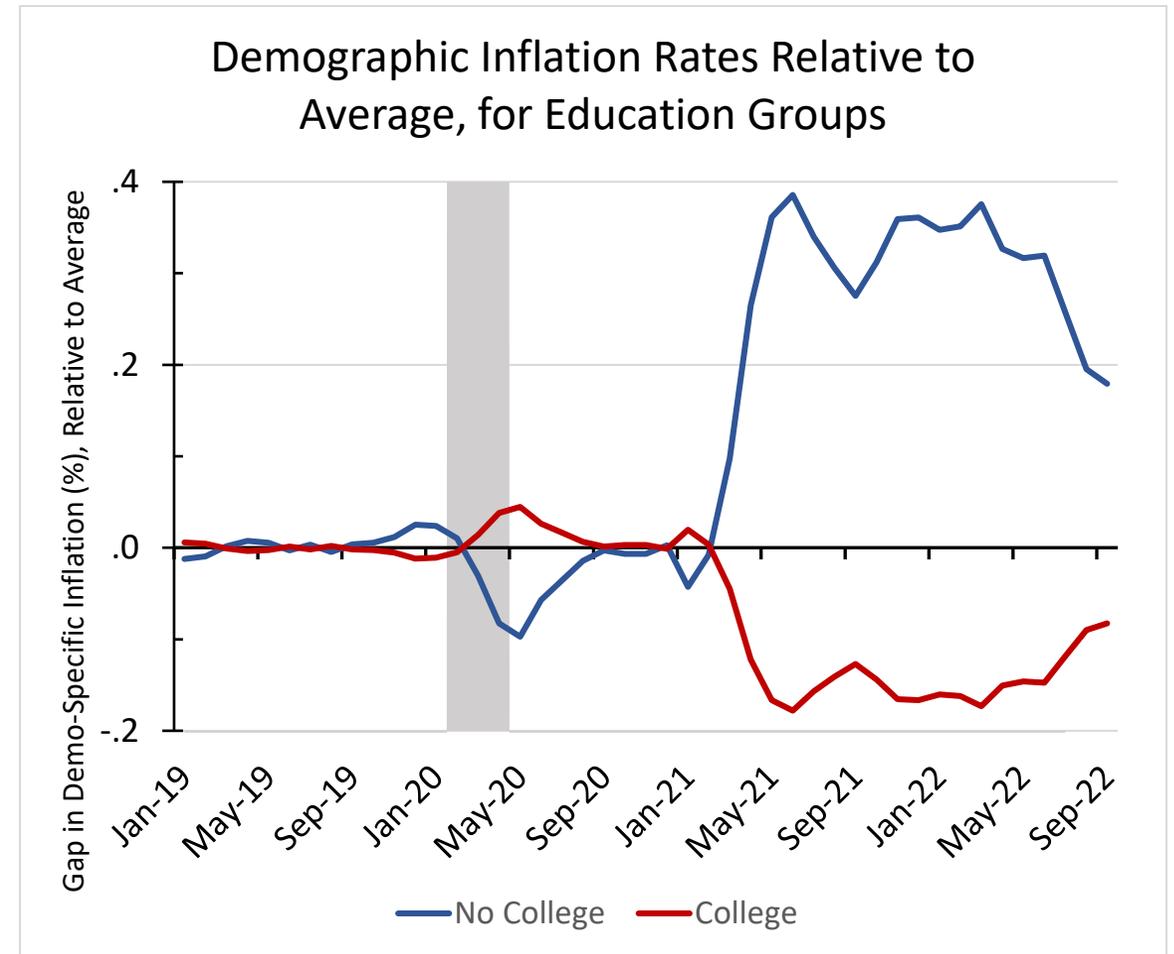
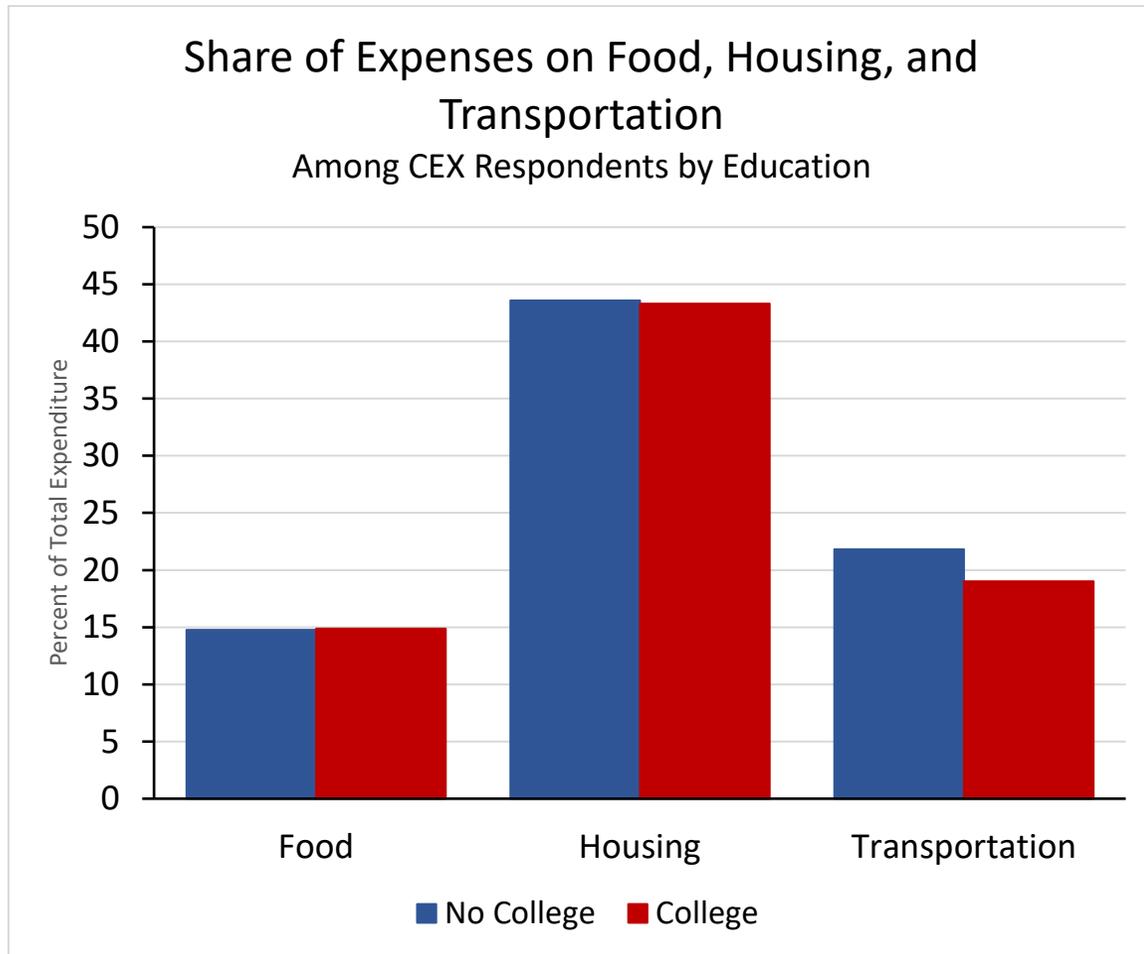
Heterogeneity of inflation pressures by income quintile



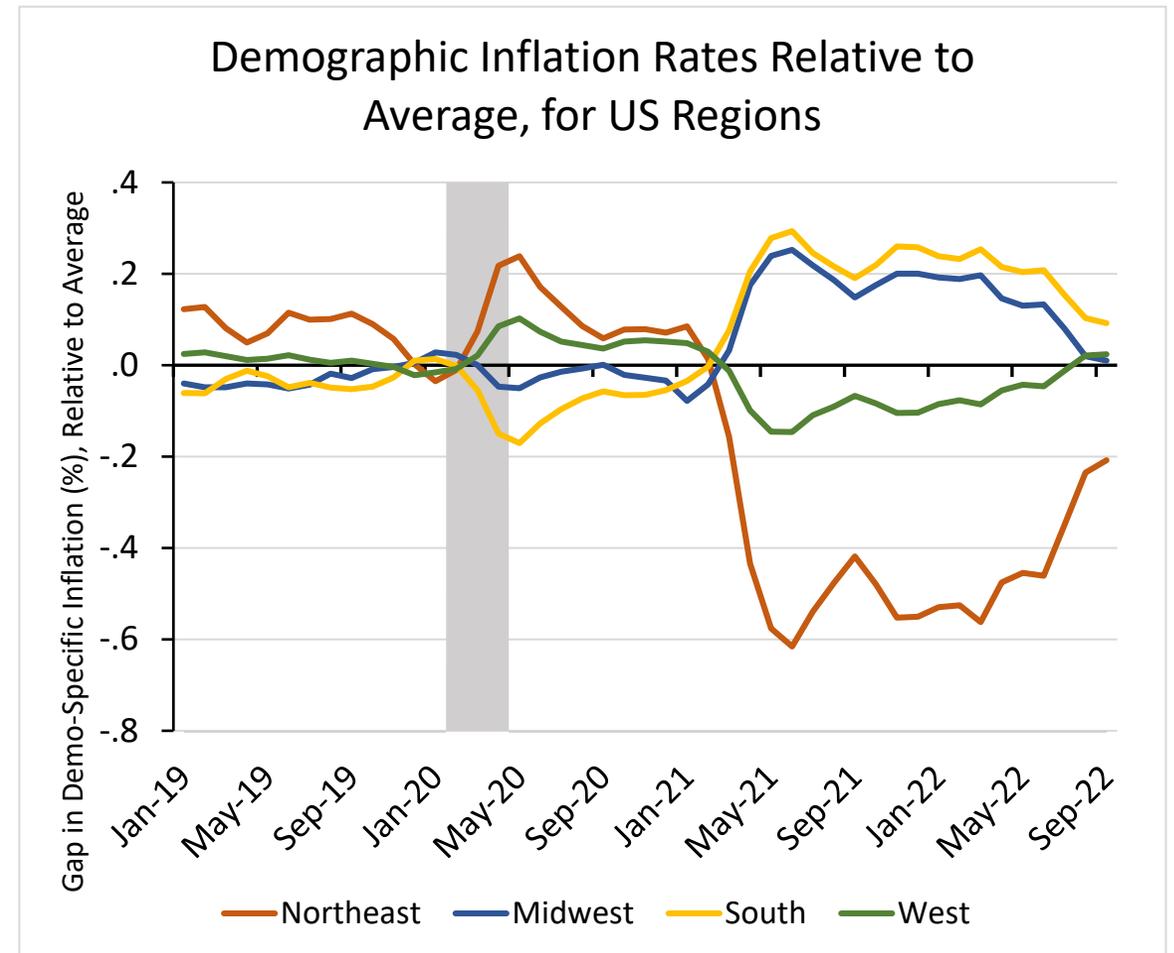
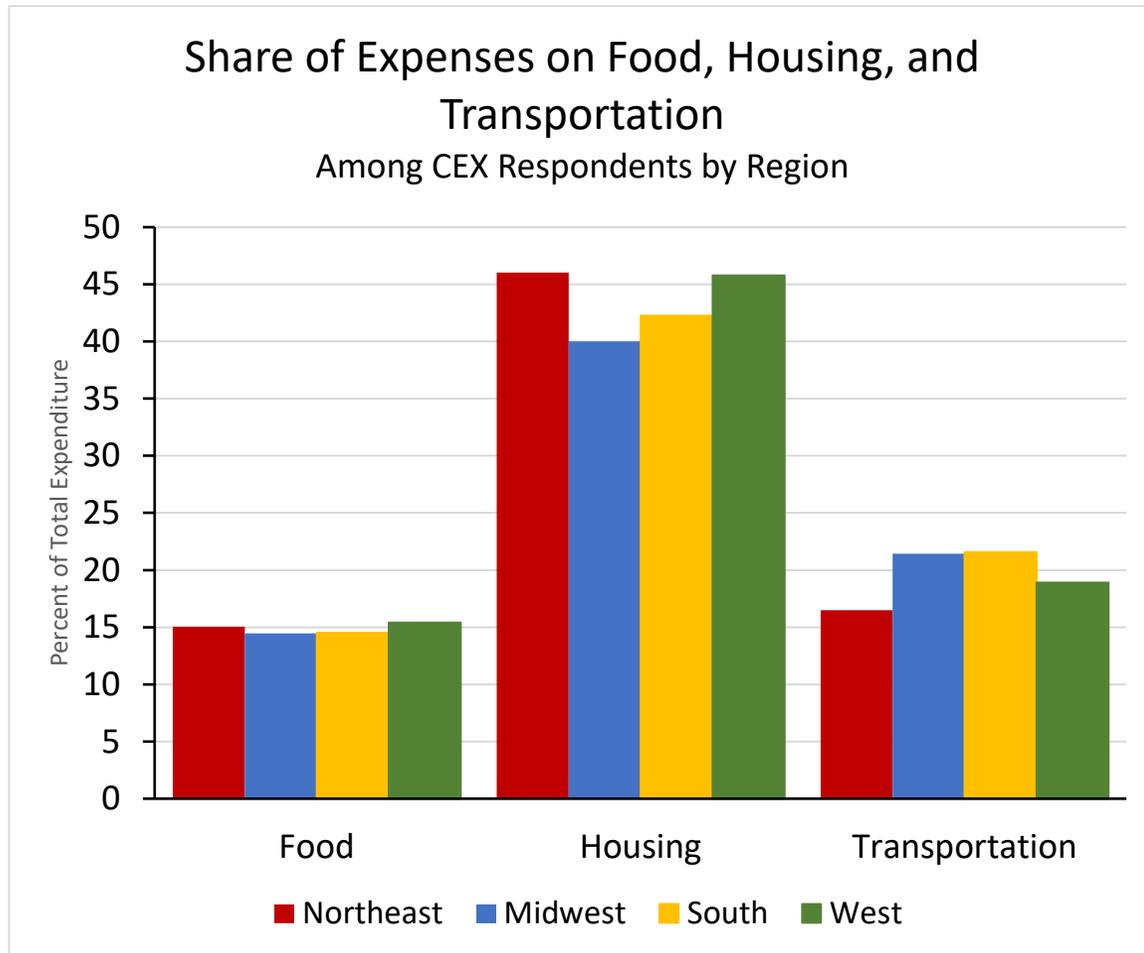
Heterogeneity of inflation pressures by age



Heterogeneity of inflation pressures by education



Heterogeneity of inflation pressures by region

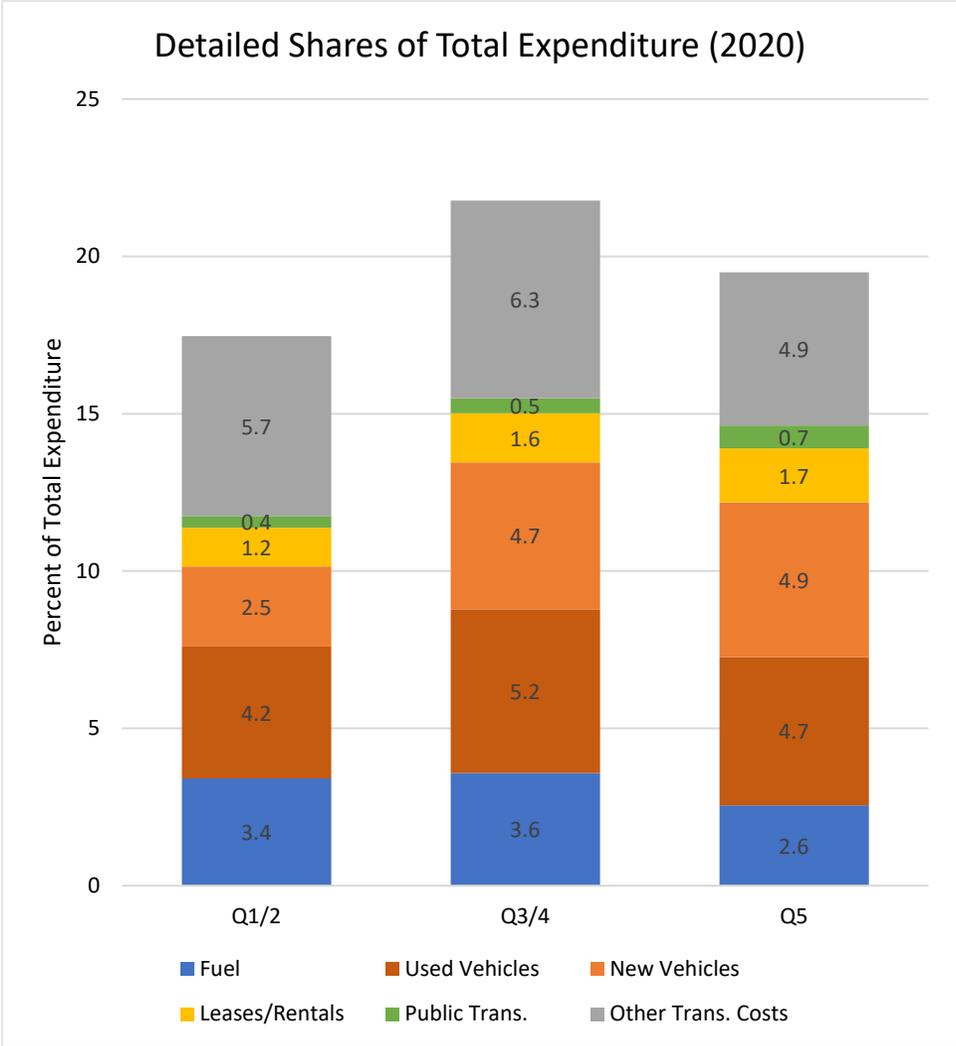


Conclusions

- Combine group-varying spending shares and inflation patterns across goods and services.
- Main conclusion: inflation inequality increased during the episode, by much more than was seen before the pandemic.
- Groups with relatively high transportation shares, such as Hispanic Americans and the young, experienced above average inflation.
- Inflation inequality now decreasing as transportation inflation declining.

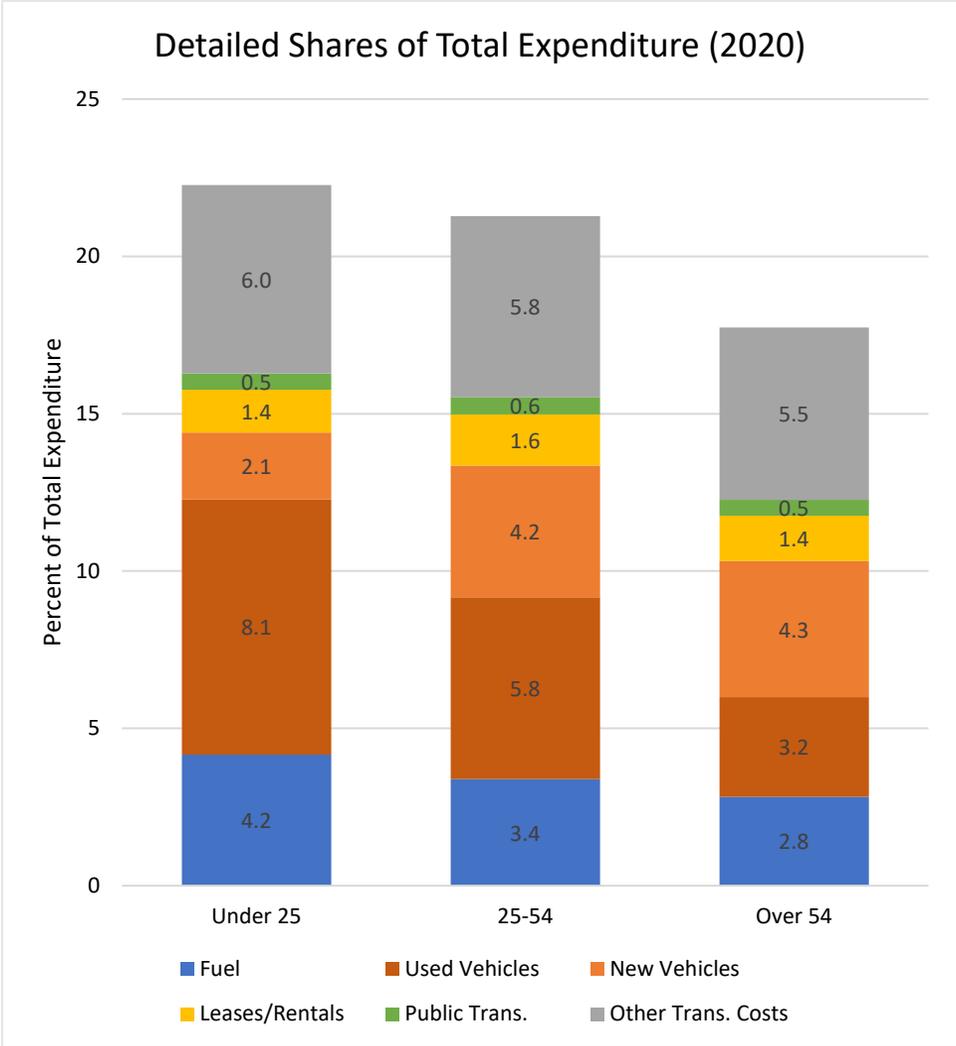
Appendix

Heterogeneity in transportation spending by income



Source: BLS Consumer Expenditure Survey, 2020; Author's calculations.

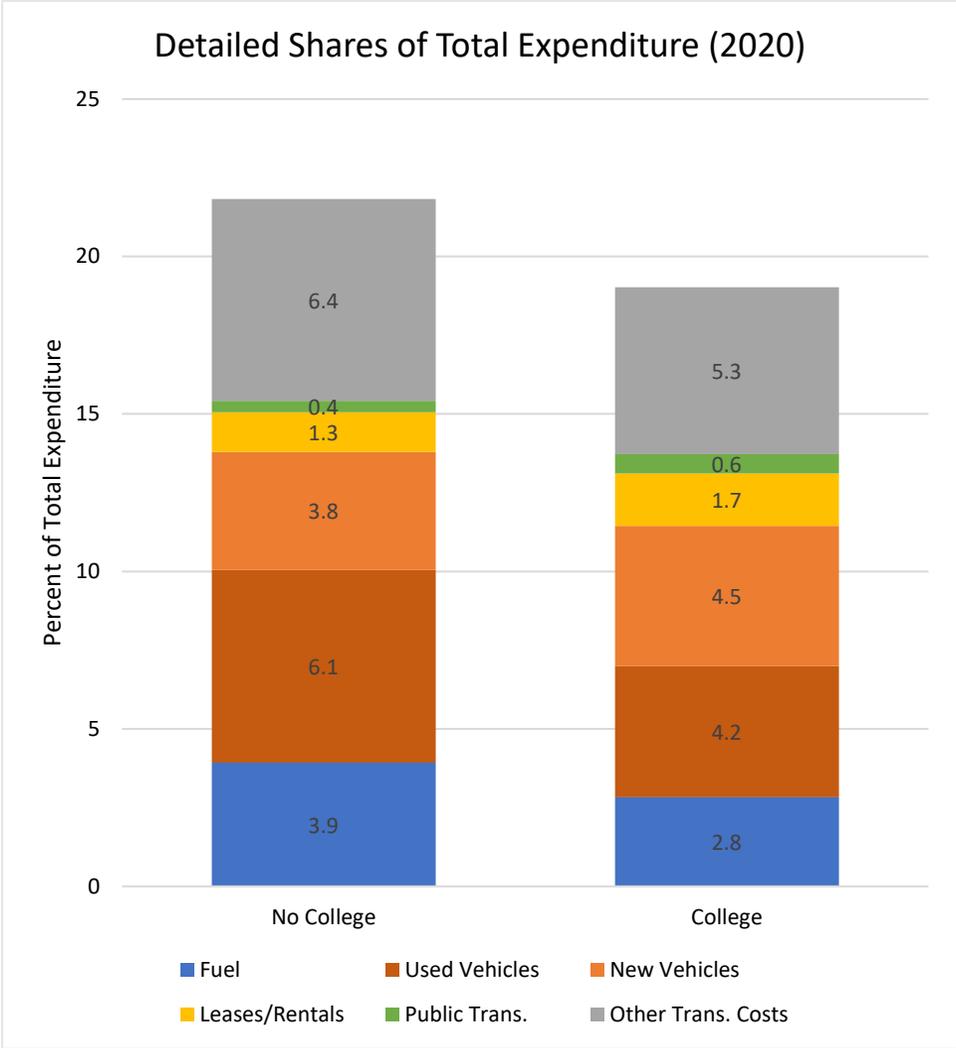
Heterogeneity in transportation spending by age



Source: BLS Consumer Expenditure Survey, 2020; Author's calculations.



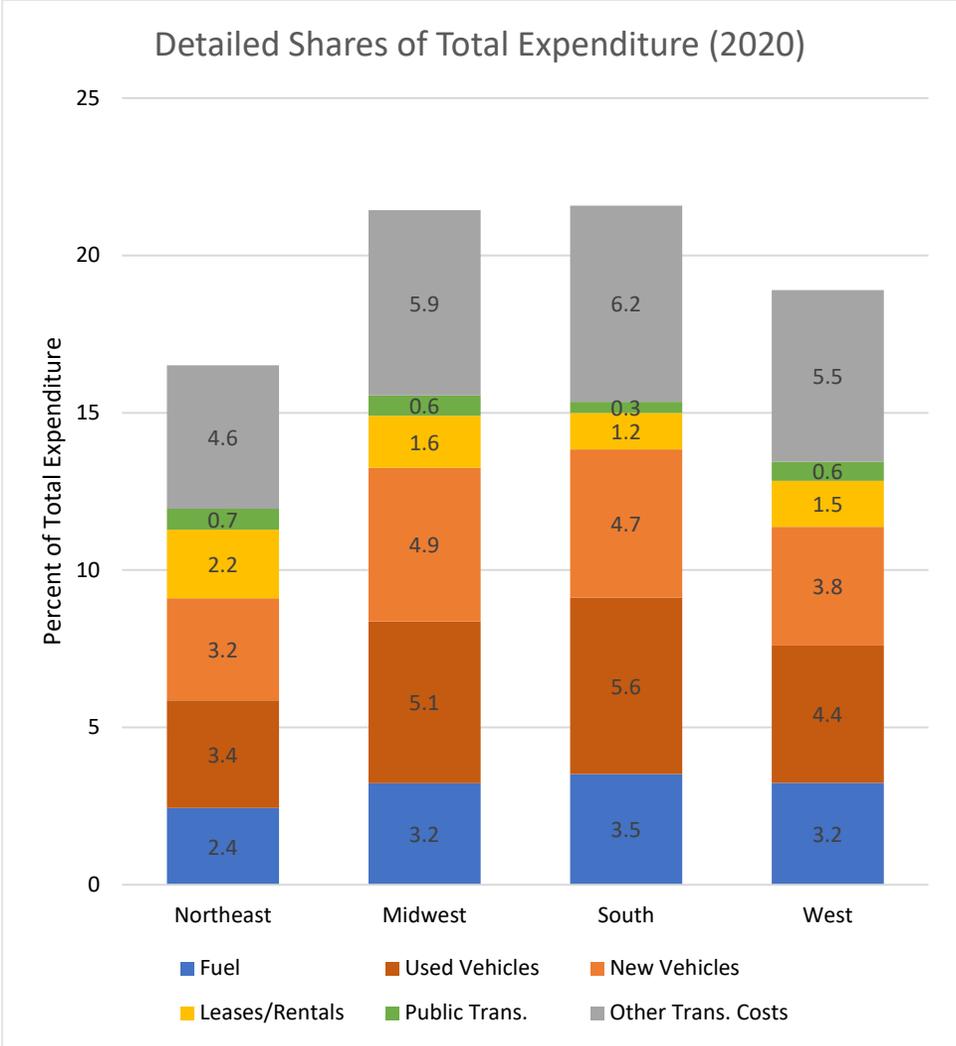
Heterogeneity in transportation spending by education



Source: BLS Consumer Expenditure Survey, 2021; Author's calculations.



Heterogeneity in transportation spending by region



Source: BLS Consumer Expenditure Survey, 2021; Author's calculations.

