INFLATION

UPDATED THROUGH AUGUST 2025 | REGIONAL

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Takeaways | Inflation

- Inflation in the Second District in August 2025 stood at 3.2%, as compared to 2.9% in the nation. Food inflation is just above the regional average, transportation inflation is below the regional average, and housing inflation is above the regional average.

- AAPI households experienced inflation that was around 0.5 percentage point above the regional average, while Black households experienced inflation 0.26 percentage point above the regional average. Hispanic households had inflation close to the regional average and white households experienced inflation 0.2 percentage point below the regional average.

- Lower-income households experienced inflation 0.4 percentage point above the regional average.

- Inflation for households of different education levels was largely similar in August 2025.

- Inflation gaps in the Second District were larger during the 2021-22 inflationary episode, when groups with high exposure to transportation inflation (Hispanic, middle- and high-income, non-college, and middle-aged households) had inflation well above the regional average. These gaps have now subsided.

Gaps and all other relevant definitions can be found on the data and methods slide.

Full Report Highlights

- **INFLATION**
  Relative to the 2021-22 inflationary episode, inflation rates have converged across groups with different incomes, ages, and 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 generally remained in their long-run ranges.

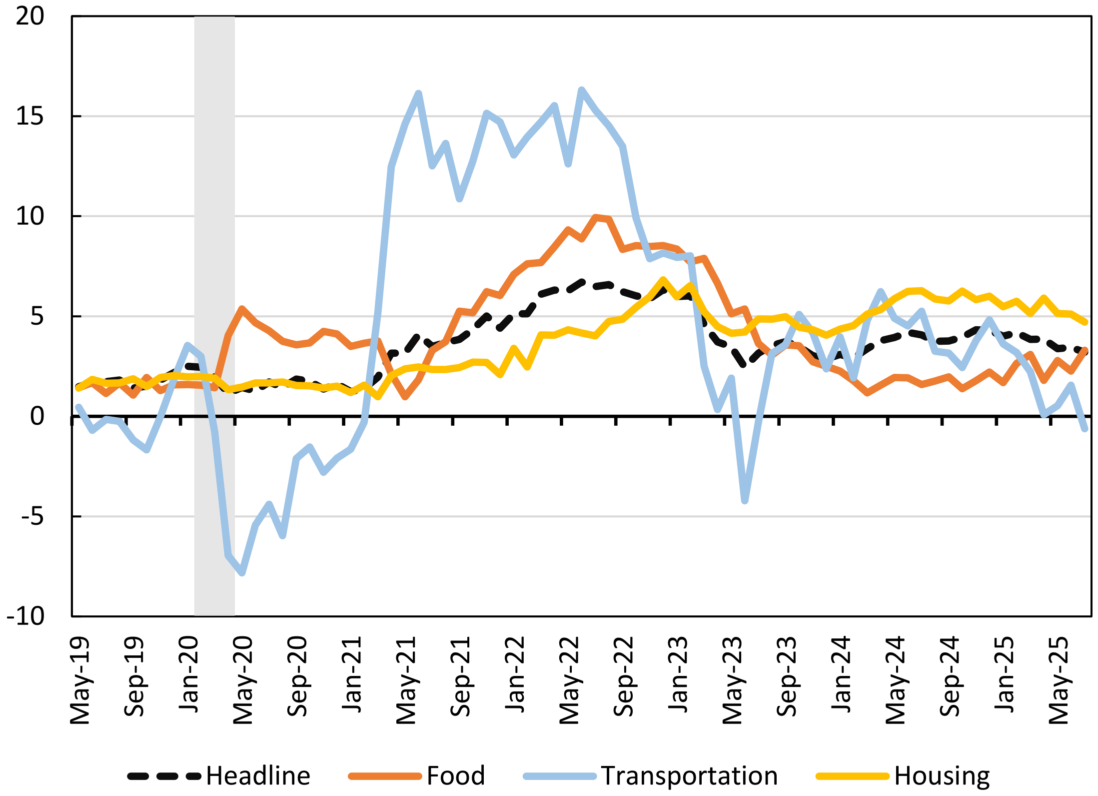
- **EMPLOYMENT**
  Labor market gaps have declined in the region at rates similar to those of the nation as a whole. However, the gender employment gap in the region has tended to decline faster and be lower than the national gender employment gap. Currently, racial gaps have been increasing, gender gaps have been stalling, and education gaps have been decreasing in line with national trends.

Data & Methods

- 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).
- The region in the CEX is defined 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, 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.
- Demographic inflation gaps are calculated as demographic inflation less Second District overall inflation.

Inflation by Sector

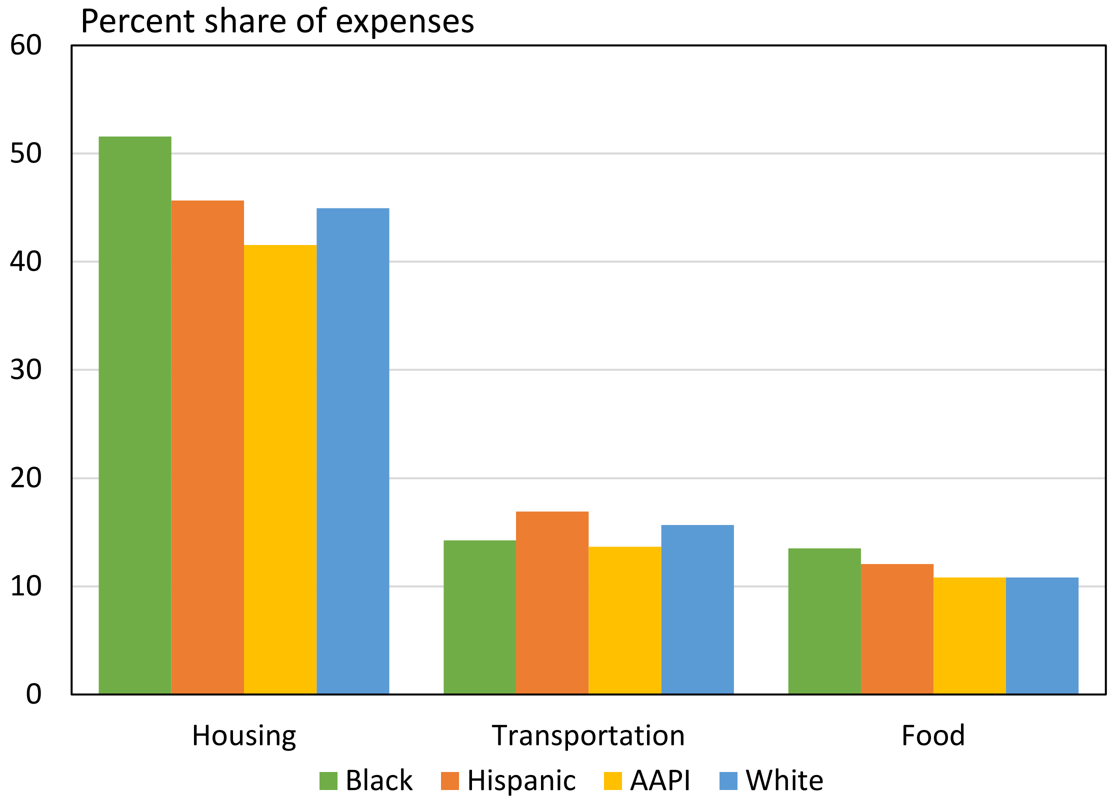
12-Month CPI Inflation (%), by Sector

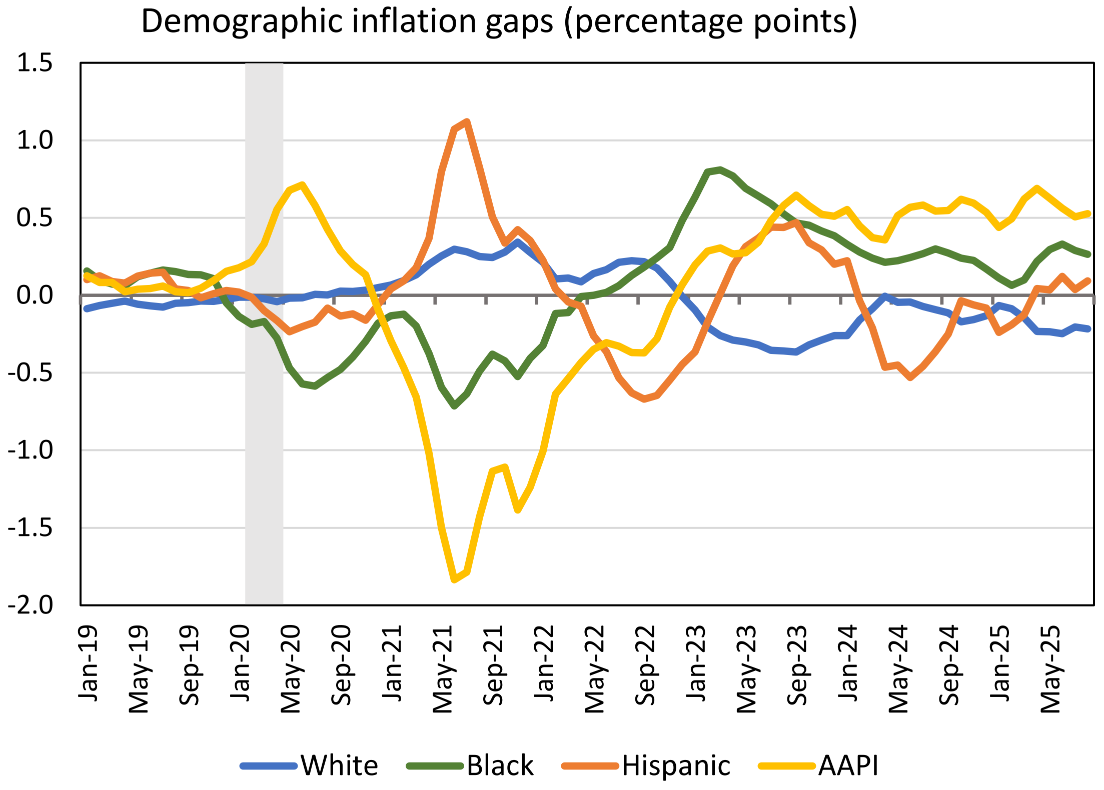


Sources: CPI via Haver Analytics; authors' calculations.

Notes: Shaded region indicates the COVID-19 recession. Includes all counties belonging to the Federal Reserve Second District excluding Puerto Rico, the U.S. Virgin Islands, Warren County, NJ, and Fairfield County, CT, and additionally including Ocean County, NJ.

Demographic Inflation by Race/Ethnicity

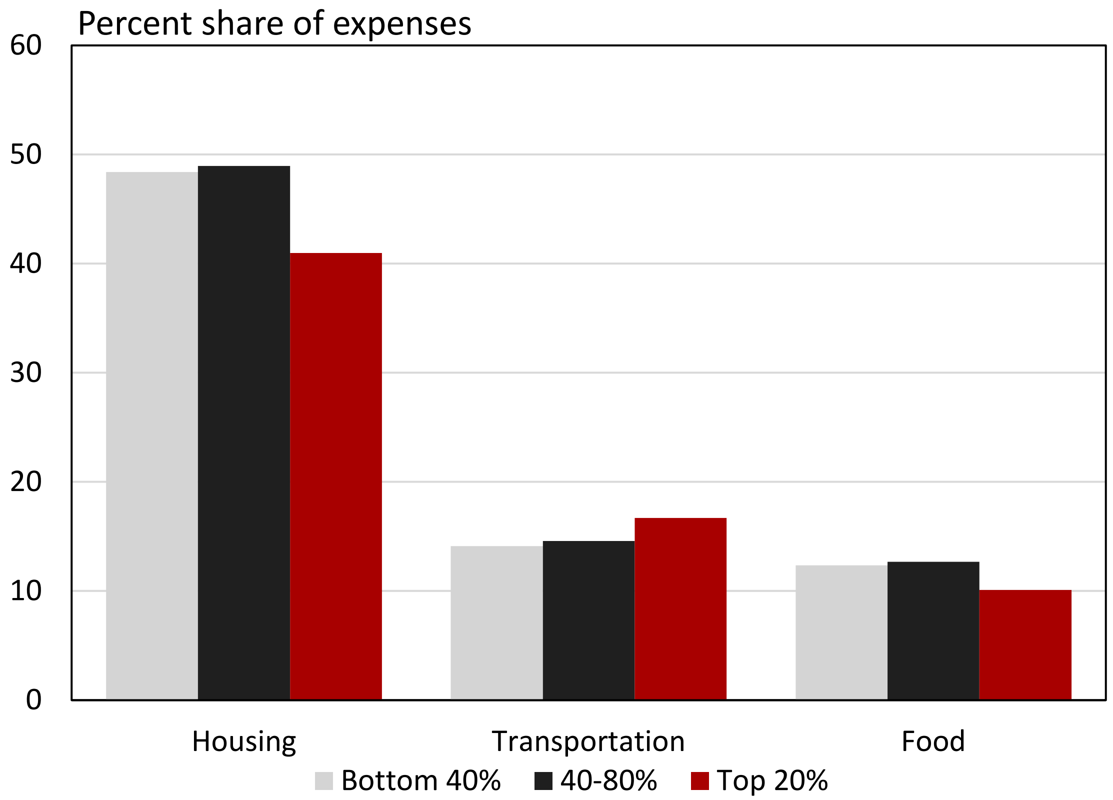


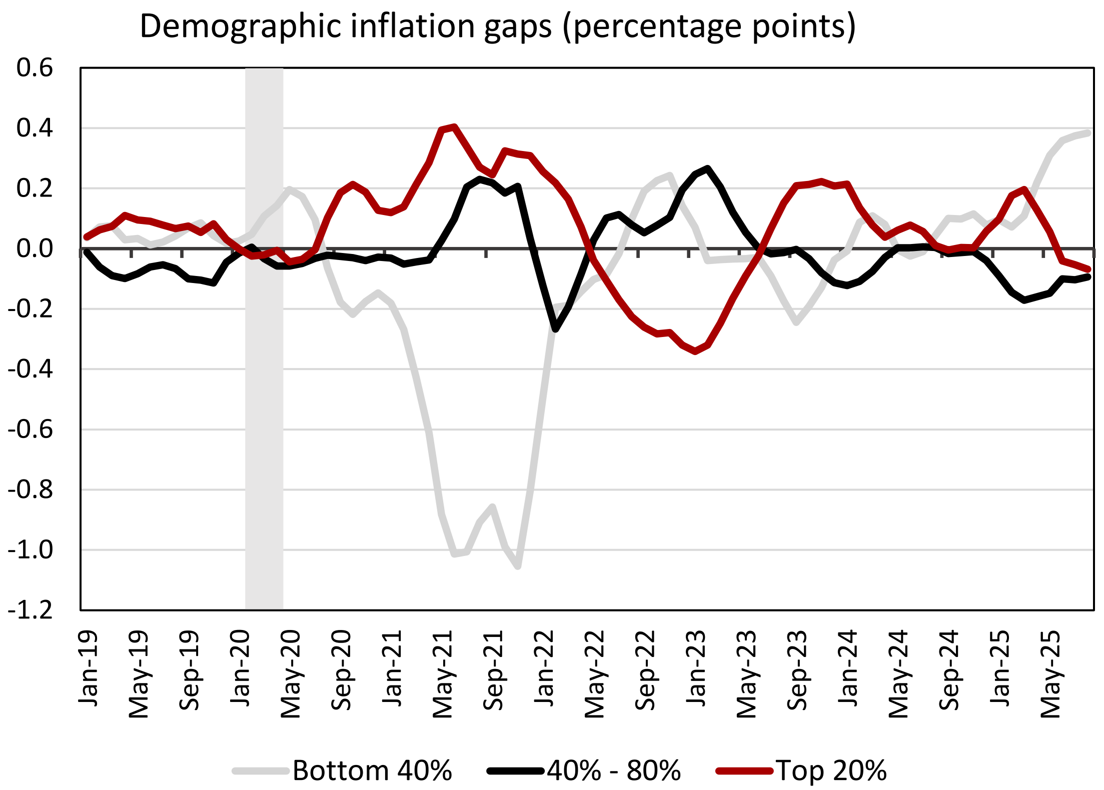


Sources: BLS Consumer Expenditure Survey microdata; BLS Consumer Price Indexes.

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 U.S. Virgin Islands, Warren County, NJ, and Fairfield County, CT, and additionally including Ocean County, NJ.

Demographic Inflation by Income





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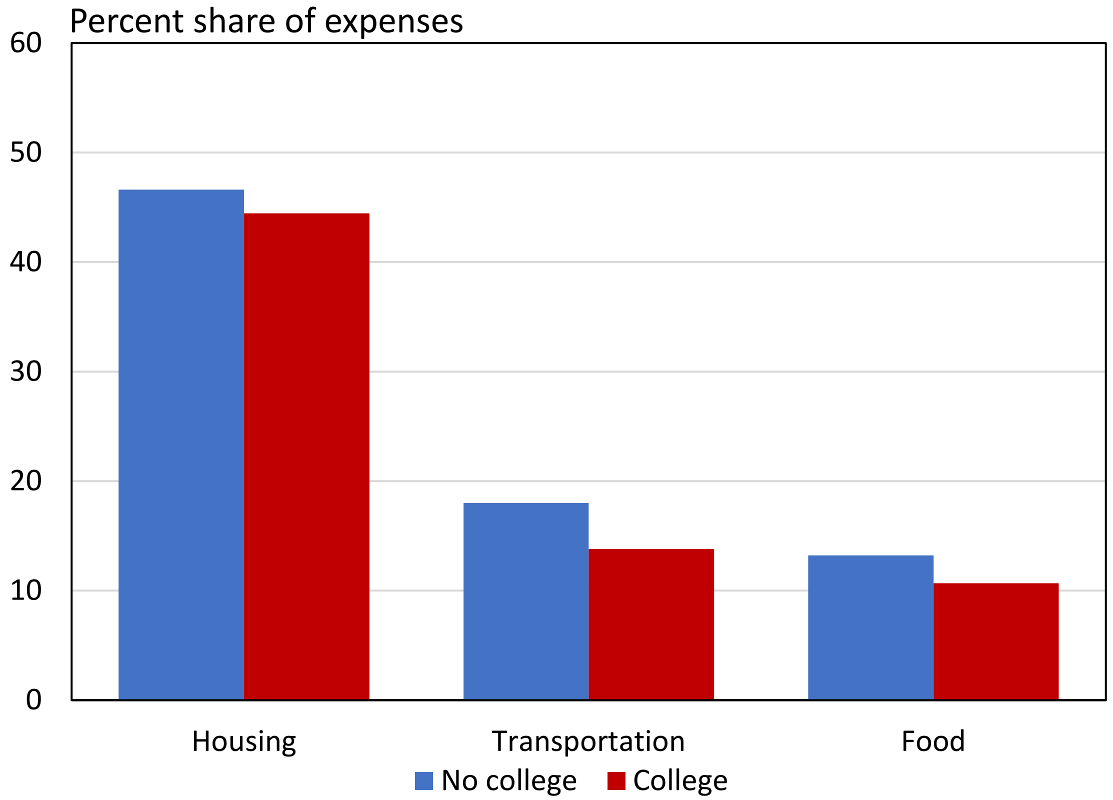
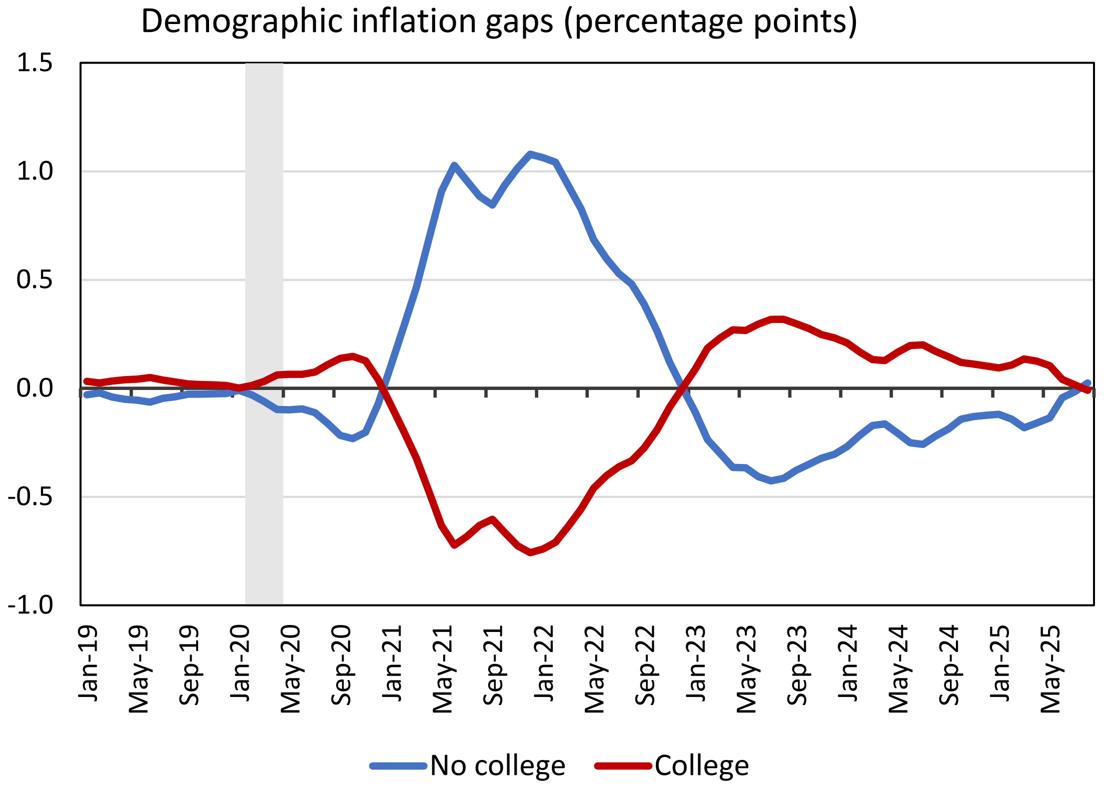
Demographic Inflation by Education





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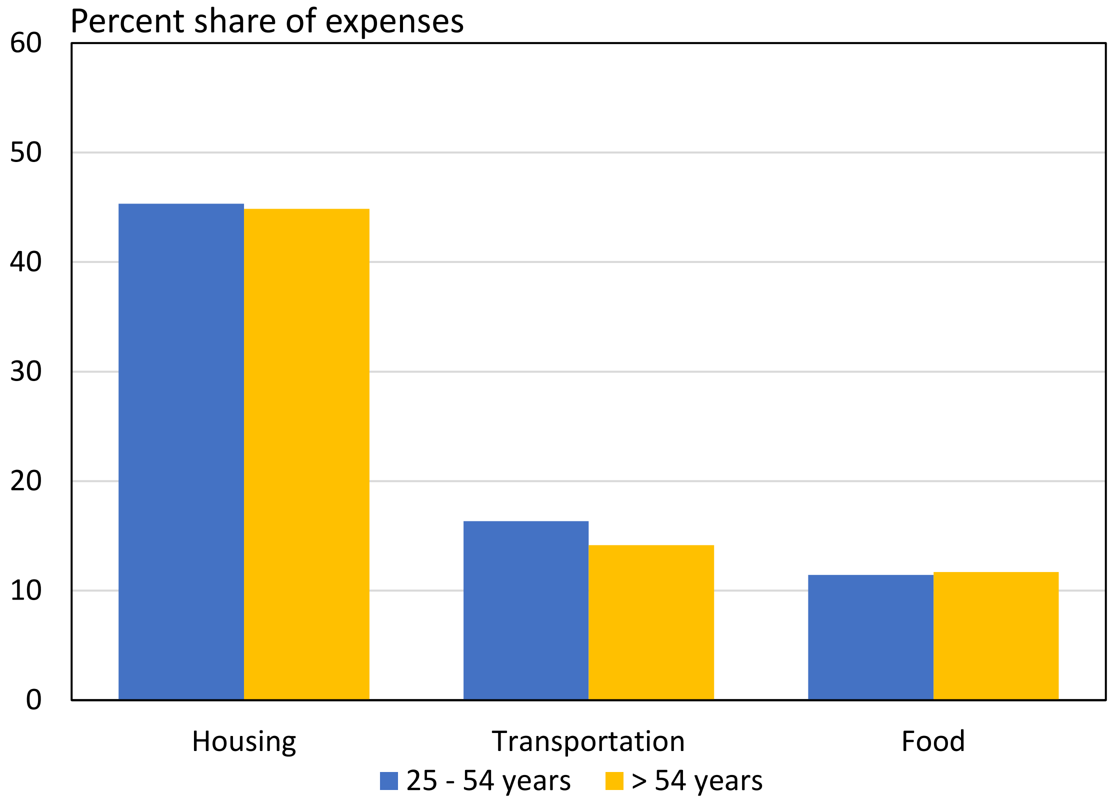
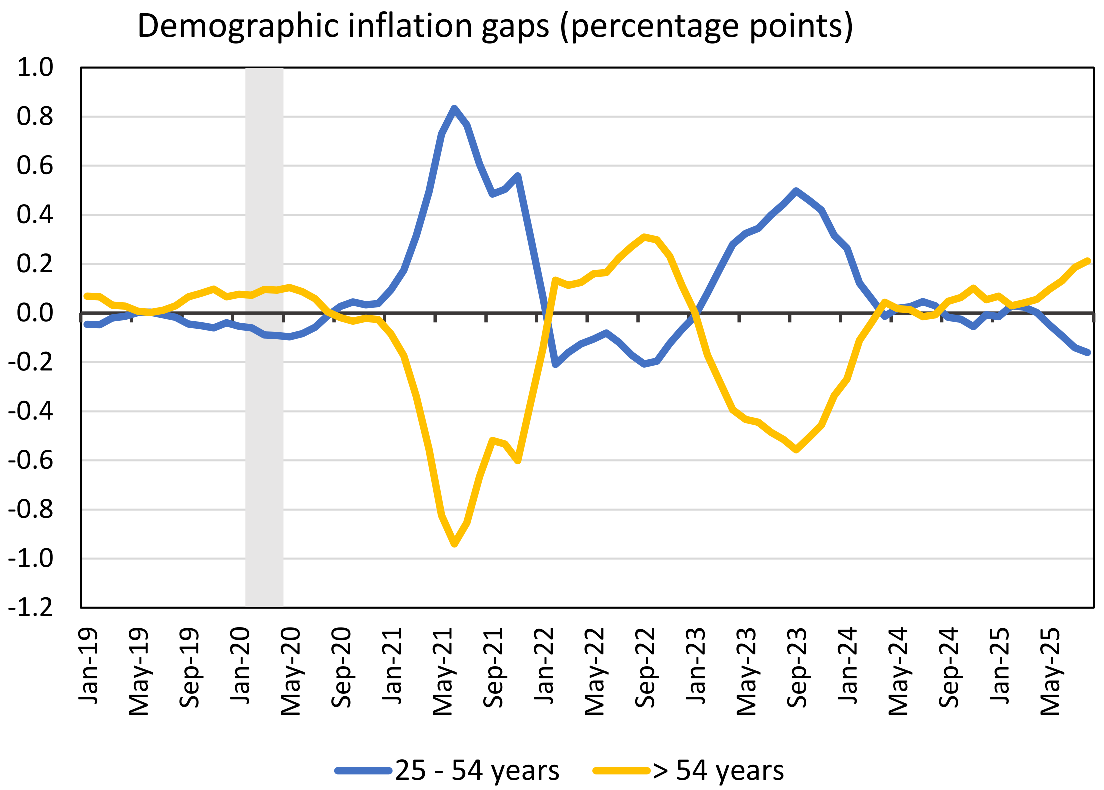
Demographic Inflation by Age





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