

July 16, 2015

## Different Strokes for Different Folks

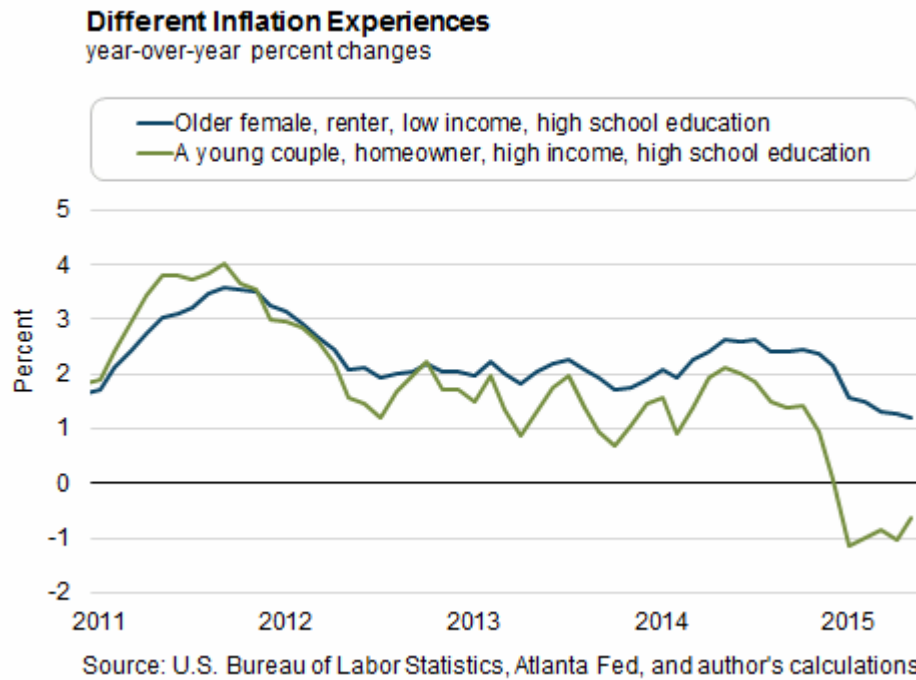
A recent *Wall Street Journal* [article](#) offered an interesting conjecture. The author stated, "[b]ecause consumers pay service bills more often than they buy most goods other than food and gasoline, perceptions of inflation skew on the high side."

Research supports the idea that inflation perceptions are unusually influenced by particular prices. For example, [some authors](#) have noted that inflation expectations appear to be unusually influenced by movements in gasoline prices.

[This research](#) by Georganas, Healy, and Li shows that inflation perceptions are affected by how frequently people buy a particular good—so that nondurable goods prices like gasoline affect inflation perceptions more than durable goods.

And [recent work](#) by Johannsen at the Federal Reserve Board shows that demographic groups who have a more disperse set of inflation experiences also tend to hold more disperse inflation expectations. One thing I think we can say is that different demographic groups appear to have different inflation experiences, as [this research](#) by Hobjin, Mayer, Stennis, and Topa indicates.

For example, let's take a look at the difference between the inflation experiences of two households. The first is a single older female (over 55 years of age) who rents her home and has a relatively low income (less than \$30,000 a year). The second is a young couple (younger than 35 years old) who own their home and have a high income (over \$70,000 annually). Both households have high school educations. Recently, the difference between the inflation experiences of these two demographic groups has opened up to a sizable 2.0 percentage points (see the chart). Why?



Well, the spending habits of these two groups contain a few striking differences. For example, the older female spends a lot more of her household income on food at home, rent, and medical care than the young couple does (see the table). Also, the young couple appears to spend a larger fraction of their income on transportation (a large portion of which is gasoline).

### Comparison of myCPI Weights

Average of the previous five years (through December 2014)

	A young couple, homeowner, high income, high school education	Older female, renter, low income, high school education
Food at home	7.2	14.4
Food away from home	5.4	2.8
Shelter	23.2	39.8
Utilities	6.4	8.5
Household operations	1.0	1.2
Household furnishings and equipment	2.8	1.3
Apparel	2.2	1.7
Transportation	23.5	7.5
Medical care	4.1	11.3
Recreation	5.1	3.6
Education	0.7	0.2
Other	18.2	7.7

Note: "Other" includes personal care, alcohol, tobacco, reading, and miscellaneous goods and services  
Source: Author's calculations based on the BLS's Consumer Expenditure Survey

What's the inflation experience for someone in your particular demographic group? Let's find out. We've developed a tool called [myCPI](#). It allows users to track a measure of the cost of living that captures some of the variation that occurs between demographic groups. In less than a minute, you can answer a few questions about your demographic category, and we'll show you the cost-of-living trends for "your" group. And if you want, we'll send you updates of your demographic group's inflation with every consumer price index (CPI) report.

Why not get your myCPI report? And when tomorrow's CPI report is released, we'll send you a note telling you how your group's cost-of-living adjustment compares to the average urban consumer in the headline CPI.



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