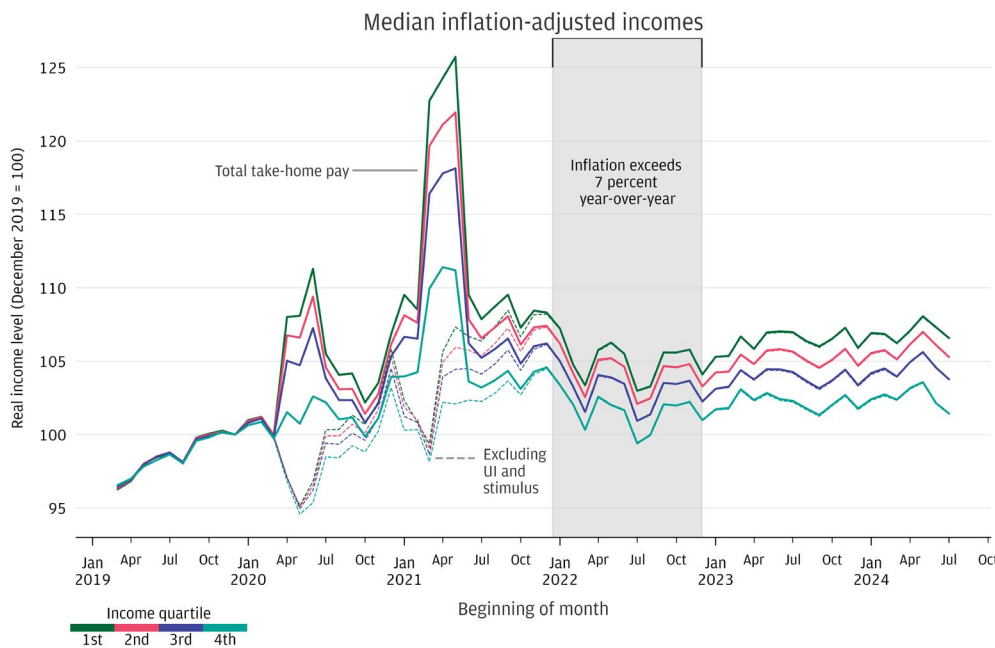


The purchasing power of household incomes: Worker outcomes through July 2024 by income and race

While incomes have not fallen behind price increases outright, gains over this four-and-a-half-year period have been disappointing, considering the expected career progression (or “lifecycle”) effects as we track individuals’ incomes over time. Lower-income individuals and Black and Hispanic individuals have experienced better relative outcomes, although progress in the past few years has been small. The still relatively robust labor market can help explain why more financially vulnerable groups have fared better.

Why it matters: Understanding changes in purchasing power is crucial for assessing economic well-being, especially within the context of inflation and labor market conditions. Our research highlights how different income and racial groups fared over a period marked by significant economic volatility, providing valuable insights for policymakers and stakeholders aiming to address income inequality and economic resilience.

Additional context: Over the past two years, consumer price inflation has decreased while labor market conditions have remained relatively strong, despite a modest rise in the unemployment rate. This report uses de-identified data from millions of individuals to measure real income changes, adjusting for inflation using the Consumer Price Index (CPI). We contextualize findings within broader economic trends and compare them to pre-pandemic income dynamics.



Note: Figure shows the median level of inflation-adjusted income relative to a person's 2019 average, after removing a month- and income quartile-specific adjustment based on pre-pandemic seasonality. The series are smoothed using a three-month trailing average and scaled to December 2019. Incomes are a take-home measure equal to account inflows excluding transfers. Income quartiles are based on median per-person income in a person's Census tract. First quartile is the lowest income group.

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Data explanation: A time series of median real income levels from 2019 through July 2024, measured relative to their 2019 average. The figure shows income paths broken down by income quartile and shows separate time series for total take-home income (Solid Series) and take-home income after excluding Unemployment Insurance and Economic Impact Payments (Dotted Series). All series are normalized to the December 2019 value of 100. Income paths shown in the Solid Series were initially aligned with the Dotted Series, with all income quartiles rising from near 97 in early 2019 to 100 in February 2020. Subsequently, the Dotted Series fell to about 95 while the Solid Series moved higher and showed differentiation by income group. The lowest income quartile in the Solid Series increases to a local peak of 112 in mid-2020, and the highest quartile rises to approximately 103. In the first half of 2021 all Solid Series reach their peaks over the full sample, with a maximum of above 125 for the first quartile and greater than 110 for the highest quartile. The Dotted Series steadily rose until late 2020, when all values fell to below 100. Starting in May 2021, real income growth stagnated and realigned with the Dotted Series, as the temporary boosts to incomes through UI and EIP payments stopped. Real incomes have trended in a broadly flat range since then, although there was some volatility—including a dip of several percentage points in early 2022 across income quartiles. The last two data points, June, and July 2024, show a decreased value from a local maximum in May 2024.

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