

# THE UNEQUAL BURDEN OF INFLATION

CHRISTOFFER J. WEISSERT

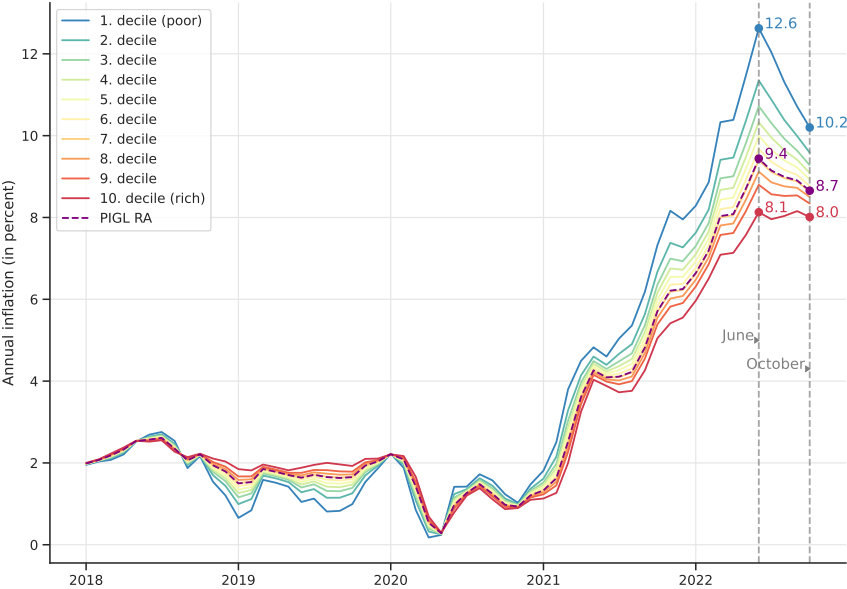
DANMARKS NATIONALBANK AND UNIVERSITY OF COPENHAGEN

CLEVELAND FED CONVERSATIONS ON CENTRAL BANKING  
NOVEMBER 14, 2023

Views are my own and do not necessarily reflect those of Danmarks Nationalbank.

# IS THE BURDEN OF INFLATION UNEQUAL?

**YES**, the burden of inflation is unequal



# IS THE BURDEN OF INFLATION UNEQUAL?

**YES**, the burden of inflation is unequal

- ▶ Consistent finding across decades of research
- ▶ No surprise really: 170 years old empirical fact is that *people spend their money differently*

⇒ different exposures to price changes of different commodities

## IS THE BURDEN OF INFLATION UNEQUAL?

**YES**, the burden of inflation is unequal

- ▶ Consistent finding across decades of research
- ▶ No surprise really: 170 years old empirical fact is that *people spend their money differently*

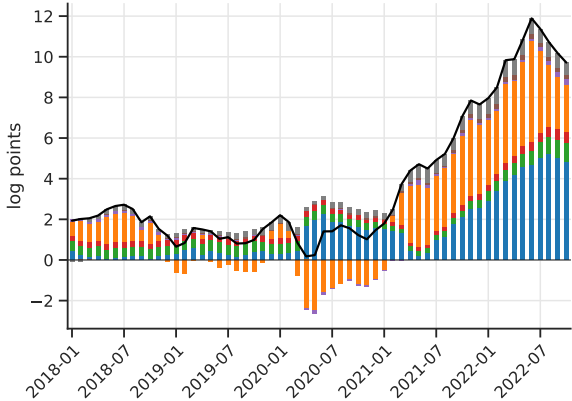
⇒ different exposures to price changes of different commodities

**Begs a lot of questions**, e.g.

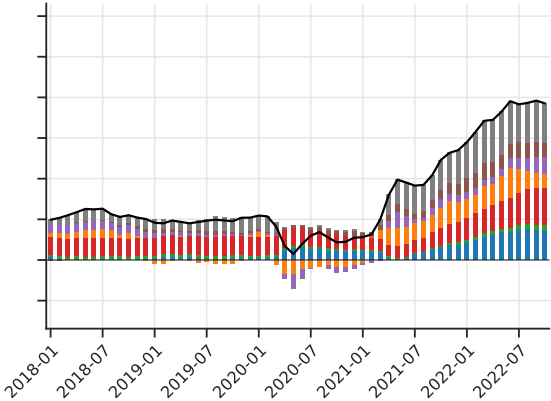
- ▶ What *drives* the disparity in inflation distribution?
  - ▶ **Income is a determinant**
  - ▶ **Price increases of *food at home* and *gas & utilities* hit poorer households harder during latest inflation surge**
- ▶ What implications does it have for economic policy?

# WHY DID RECENT INFLATION RISE MORE FOR POORER HOUSEHOLDS THAN FOR RICHER ONES?

(a) 1<sup>st</sup> expenditure decile (poor)



(b) 10<sup>th</sup> expenditure decile (rich)



# IS THERE AN UNEQUAL BURDEN OF INFLATION?

**YES**, the burden of inflation is unequal

- ▶ Consistent finding across decades of research
- ▶ No surprise really: 170 years old empirical fact is that *people spend their money differently*

⇒ different exposures to price changes of different commodities

**Begs a lot of questions**, e.g.

- ▶ What *drives* the disparity in inflation distribution?
  - ▶ Income is a determinant
  - ▶ Price increases of *food at home* and *gas & utilities* hit poorer households harder during latest inflation surge
- ▶ **What implications does it have for economic policy?**

# IS THERE AN UNEQUAL BURDEN OF INFLATION?

**YES**, the burden of inflation is unequal

- ▶ Consistent finding across decades of research
- ▶ No surprise really: 170 years old empirical fact is that *people spend their money differently*

⇒ different exposures to price changes of different commodities

**Begs a lot of questions**, e.g.

- ▶ What *drives* the disparity in inflation distribution?
  - ▶ Income is a determinant
  - ▶ Price increases of *food at home* and *gas & utilities* hit poorer households harder during latest inflation surge
- ▶ **What implications does it have for economic policy?**
  - ▶ Recent inflation surge showed strong political will to do *something* – lots of work needed on *if, what, how*

# IS THERE AN UNEQUAL BURDEN OF INFLATION?

**YES**, the burden of inflation is unequal

- ▶ Consistent finding across decades of research
- ▶ No surprise really: 170 years old empirical fact is that *people spend their money differently*

⇒ different exposures to price changes of different commodities

**Begs a lot of questions**, e.g.

- ▶ What *drives* the disparity in inflation distribution?
  - ▶ Income is a determinant
  - ▶ Price increases of *food at home* and *gas & utilities* hit poorer households harder during latest inflation surge
- ▶ **What implications does it have for economic policy?**
  - ▶ Recent inflation surge showed strong political will to do *something* – lots of work needed on *if, what, how*
  - ▶ Prerequisite: Timely tracking of inflation distribution and its drivers