



The Daily Dish

Recent Inflation and Seniors

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The impact of high and rising inflation in the United States on those living on fixed incomes, especially seniors, is of particular concern. For those who are not seeing the equivalent of rising wages, the arrival of 7.9 percent year-over-year inflation is a noticeable hardship.

As it turns out, 7.9 percent is probably not the right number. A cursory investigation quickly yields the observation that seniors don't have the same "market basket" as the overall population. Seniors devote a greater fraction of their budget than the rest of the adult population to medical services (11.7 percent versus 7.0 percent), transportation (14.5 percent versus 5.6 percent) and shelter services (37.4 percent versus 32.8 percent), but less, for example, on food and beverages (12.6 versus 13.4 percent). Their exposure to the price increases of particular goods and services is simply different from the population as a whole.

Fortunately, the Bureau of Labor Statistics (BLS) constructs a research consumer price index for those aged 62 and older – the [R-CPI-E](#). The data sources for the R-CPI-E are not as robust as those for the regular Consumer Price Index (CPI); BLS is quick to identify its limitations and retain the "research" designation. Nevertheless, it is instructive to take a look.

Consider the chart (below), which displays year-over-year inflation rates from January 2020 to February 2022 for some of the components of the R-CPI-E: all items, food, housing, transportation, and medical. The chart contains storylines that both match and deviate from those for overall inflation.

Just as with the CPI, overall inflation is up sharply from 1.4 percent in January 2021 to 5.9 percent in February of this year, driven by spikes in food (3.6 percent to 7.8 percent) and energy prices, which show up in the "transportation" category (-1.6 percent to 19.1 percent). And, just like the CPI, housing inflation is a [big deal](#). It is up from 1.8 percent to

5.9 percent and will likely persist much more stubbornly over the next several years.

Somewhat surprising, however, is that the overall R-CPI-E inflation trails the CPI (5.9 percent versus 7.9 percent), in large part because medical inflation was low in 2021; it rose from 1.5 percent to 2.2 percent. Since seniors devote twice as much of their budget to medical spending, this translates into a smaller overall rise in inflation.

Inflation for seniors is different. But for at least one year that is a modestly good-news story.

