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Grocery shoppers in New York City in July. While inflation has come down significantly from its 2022 peak, it remains above the Federal Reserve's target. MOON/ REUTERS JEENAH

Inflation Erased U.S. Income Gains Last Year

BY PAUL OVERBERG AND KONRAD PUTZIER

Inflation ate into Americans' wage gains last year, leaving household incomes little changed beyond the richest households, the Census Bureau said Tuesday.

The data also show how average households haven't gained ground economically since the Covid-19 pandemic hit, underscoring the continued toll of rising prices. Inflation-adjusted median household income last year was at roughly the same level as in 2019, before the pandemic struck, following sharp declines after Covid's onset and a tepid recovery since then.

Inflation-adjusted median household income was \$83,730 in 2024, not statistically different from the 2023 estimate, the Census Bureau said in its annual report card on households' financial well-being. It is based on a national survey about pretax 2024 income from numerous sources.

These effects haven't hit the population evenly:

- Incomes of high-earner households rose 4.2% last year, but changes for households with middle or low incomes weren't statistically significant.
- Incomes of Black Americans fell last year, but rose for Asian and Hispanic households. The changes weren't significant for white households.

- Among full-time earners, men saw their incomes rise 3.7% in 2024, but income changes for women weren't significant.

Tuesday's report also showed poverty levels in the U.S. were little changed.

The report sheds fresh light on how the U.S. economy was doing during the final year of the Biden administration. The economy has slowed notably since then, with recent labor market data showing several months of weak jobs growth.

Concern over the high cost of living helped President Trump win back the White House. While inflation has come down significantly from its 2022 peak, it remains above the Federal Reserve's target.

The latest numbers show how American households are struggling to get ahead, particularly as income gains stall for those below the highest earners.

"The middle class is tapped out," said Heather Long, chief economist at Navy Federal Credit Union. And there is little room for consumers to weather higher prices from tariffs, she said.

The Census Bureau estimated that inflation-adjusted household incomes rose 1.3% last year, but a margin of error of 1.4 percentage points means it is also possible that incomes fell slightly. Declining survey response rates have made it harder for the bureau to produce accurate numbers, said Aviva Aron-Dine, director of the Hamilton Project at the Brookings Institution.

The bureau estimated that 12.9% of the U.S. population— or about 43.7 million people— lived in poverty last year, unchanged from 2023, based on a broad measure that many economists rely on. This measure accounts for cash income as well as taxes, noncash government aid and essential expenses such as transportation.

This measure dropped during the pandemic when the federal government was sending out stimulus checks and expanded child tax credits. But these and other programs expired, helping push the poverty rate back up, said Neale Mahoney, an economist at Stanford University.

Using that broad measure, the poverty rate for people 65 and older rose 0.8 percentage point to 15% last year, the data show. And the rate for Black Americans rose 2.2 percentage points, to 20.7%.

The federal government's official poverty measure is narrower, only covering pretax income. It showed 10.6% of the population was in poverty last year, easing 0.4 percentage point from the previous year. For a family of four, poverty would mean a household income of as much as \$32,130.

Last year marks the second in a row where women lost ground to men, losing some income gains they have made after many years of slowly expanding their roles in the labor force.

This slide left the female-to-male earnings ratio at 81% in 2024, compared with 83% a year earlier, among people who worked full time and year round.

Median income for Black households fell 3.3% to \$56,020 last year. Hispanic median household income rose 5.5 % to \$70,950, while Asian median household income rose 5.1% to \$121,700.

White non-Hispanic households saw median income of \$92,530 last year, effectively unchanged from the previous year.

In the Northeast, median household income rose 4% to \$92,000, and in the West, it rose 4.5% to \$94,650. After inflation adjustment, median household income in the Midwest, at \$82,220, was effectively unchanged, as it was in the South (\$76,490).

The bureau also said the proportion of Americans with health insurance for some or all of 2024 was 92%, little changed from a year earlier. About 27 million Americans didn't have health insurance during any part of 2024, according to the survey.