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Incomes In U.S. Post First Rise Since Pandemic

Census data show median household in 2023 earned 4% more than in 2022

BY JON KAMP AND PAUL OVERBERG

Household incomes in the U.S. rose last year for the first time since the Covid-19 pandemic began, reflecting the effects of easing inflation and a strong job market.

The new data from the Census Bureau on Tuesday signaled an improvement in 2023 after inflation that spiked to a 40-year-high the prior year swallowed up household income gains.

Inflation-adjusted median household income was \$80,610 in 2023, up 4% from the 2022 estimate of \$77,540, the bureau said in its annual report card on households' financial well-being. This move returned incomes to about where they were in 2019, the peak that was hit just before the pandemic.

The census report included

some mixed signals on poverty trends while showing that women saw smaller income gains than men last year.

The data come during the final months of a tightly contested presidential election between Democrat Kamala Harris, the vice president, and Republican former President Donald Trump. President Biden said the report showed "real progress growing the middle class." Representatives for the presidential campaigns didn't respond to requests for comment.

The census report is an important measure of Americans' pocketbooks. The latest one relied on a national survey conducted in March 2024 about pretax income from numerous sources in 2023.

The income gains happened after the U.S. economy emerged from the depths of a global pandemic that scrambled supply chains and prompted major spending. The nation also benefited last year from lower oil prices after Russia's invasion of Ukraine in 2022 led to a surge.

The bureau said 2023 inflation-adjusted median income wasn't statistically different from the \$81,210 in 2019, the highest point reached in data back to 1967.

Economists credited the strong labor market last year—which has only recently started to cool—as well as easing inflation.

Beth Ann Bovino, chief economist at U.S. Bank, cautioned that people are also still feeling the pinch from the cumulative effects of price increases and still-high interest rates.

"For many households, they still don't feel it," she said, referring to the effects of easing inflation.

Also, the U.S. is only getting back to the 2019 median income peak after a long interruption, rather than continuing increases that preceded the pandemic, said Erik Hurst, a professor of economics at the University of Chicago Booth School of Business.

"We are still well below where we should have been," he said.

The Federal Reserve has tried to slow inflation by raising interest rates, without triggering a recession. Recently, policymakers have been absorbing news that hiring softened this summer. The Fed is widely expected to begin cutting interest rates at its meeting next week.

Markets have recently focused on signs of a slowdown in hiring and the trajectory of the unemployment rate. It has been above 4% in recent months, though it decreased slightly to 4.2% in August, the latest federal data show.

The new census report showed that while men and women who worked full time throughout 2023 saw median income gains, they were uneven: 3% for men and 1.5% for women. This difference drove the female-to-male earnings ratio down to 82.7%, compared with 84% a year earlier, marking the first statistically significant decrease in two decades.

White non-Hispanic households saw median income reach \$89,050, up 5.7% from 2022. Asian households had the highest median income, at \$112,800, effectively unchanged from the prior year. Hispanic median household income was also effectively unchanged at \$65,540. Black households' median reached \$56,490, an increase of 2.8% that the bureau said wasn't statistically significant.

In the Northeast, median household income rose 3.2% to \$86,250. In the Midwest it rose 6.6% to \$81,020, and in the South it rose 3.3% to \$73,280. In the West, a gain of 2.4% to \$88,290 wasn't statistically significant, according to the bureau.

The official U.S. poverty rate in 2023 was 11.1%, down 0.4 percentage point compared with 2022, which translated to about 36.8 million people living below the threshold, the Census Bureau said. For a four-person household, the threshold for meeting the definition of poverty last year was income below about \$31,200.

A broader poverty measure—which accounts for taxes, noncash government aid and essential expenses such as transportation—increased by a half-percentage point to 12.9% last year. This comes on the heels of a 4.6-point surge in 2022, which reflected the impact of expiring pandemic-related tax credits, especially credits for children.

Liana Fox, assistant chief for the bureau's Economic Characteristics, Social, Economic and Housing Statistics Division, explained that the two measures' poverty thresholds are adjusted each year with different methods and data.

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