

Consumption Inequality: Where does your city rank? Spending by the Top Income Quintile

Income and wealth inequality have gained prominence in the national conversation following the pioneering work of [Piketty](#) and [Saez](#), but what about consumption inequality? As [Mian and Sufi point out](#), data limitations have prevented economists from examining consumption inequality as closely. Building off of 12.4 billion [anonymized](#) credit and debit card transactions in 15 metropolitan areas, the JPMorgan Chase Institute’s recently released [Profiles of Local Consumer Commerce](#) sheds light on this question.¹ Local commerce spending by consumers in the top income quintile is one indicator of consumption inequality. By this measure, we find that there are considerable differences across cities.

Which metro area has the largest share of spending by the top income quintile?		
2015 Q2		
Rank	Metro Area	Share of Spending
1	San Francisco-Oakland-Hayward, CA	35.9%
2	New York-Newark-Jersey City, NY-NJ-PA	33.2%
3	Houston-The Woodlands-Sugar Land, TX	30.4%
4	Seattle-Tacoma-Bellevue, WA	29.1%
5	Los Angeles-Long Beach-Anaheim, CA	28.1%
6	Chicago-Naperville-Elgin, IL-IN-WI	27.9%
7	San Diego-Carlsbad, CA	26.2%
Fifteen City Average		25.3%
8	Dallas-Fort Worth-Arlington, TX	23.6%
9	Denver-Aurora-Lakewood, CO	23.2%
10	Columbus, OH	22.7%
11	Atlanta-Sandy Springs-Roswell, GA	20.6%
12	Detroit-Warren-Dearborn, MI	20.2%
13	Miami-Fort Lauderdale-West Palm Beach, FL	20.2%
14	Portland-Vancouver-Hillsboro, OR-WA	19.2%
15	Phoenix-Mesa-Scottsdale, AZ	19.2%

Source: JPMorgan Chase Institute

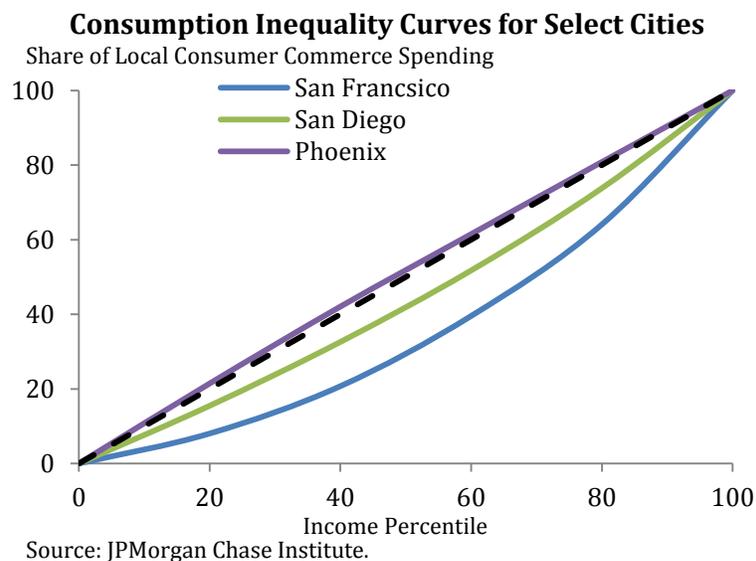
The San Francisco and New York metro areas had the largest share of local consumer commerce spending by the top income quintile. In these cities the top 20 percent of earners spent 35.9 and

¹ We use Census data to define income quintiles for each of the 15 metro areas, and use Census estimates of the population in each income quintile in each metro area to weight our observed consumer spending. As a result, each quintile represents the everyday card spending of twenty percent of each area’s population.

33.2 percent, respectively. San Francisco and New York are known for their tech and finance sectors and the resulting boom for top earners. Top income quintile consumers in San Francisco and New York earned at least \$167,800 and \$141,800 respectively in 2014, compared to \$109,100 for the nation. The bottom income quintile in San Francisco only made up 8 percent of the spending, the lowest of any of the fifteen cities. In New York, the bottom quintile spent the third least at 12.2 percent.

Not all cities have such extremes in consumption inequality. Surprisingly, top quintile consumers in Portland and Phoenix accounted for less than twenty percent of everyday spending. This means high earners spent less than low earners. In fact, the lowest income quintile in Phoenix consumed the most of any quintile at 21.5 percent of local commerce spending and the middle income quintile in Portland made up the largest share of spending at 21.9 percent.

Another way to gauge consumption inequality is to plot a “Consumption Inequality Curve,” shown below. We plot cumulative consumption against the income percentile for three selected cities: San Francisco, San Diego, and Phoenix. San Francisco is the most unequal city in our data and the Consumption Inequality Curve rises slowly through the first several quintiles before rising steeply for the highest earners. Phoenix is anomalous in that the lowest income quintiles actually consume more than the top quintile, which can be seen by the consumption inequality curve passing above the line of equality, where all income quintiles consume an equal amount. San Diego, the middle city in our rankings, falls in between; similar to the shape of the curve for San Francisco, but hewing closer to the line of equality.



One reason policymakers care about income and wealth inequality measures is they indirectly inform the inequality of consumption by individuals in an economy. Our Profiles of Local Consumer Commerce data allow us to directly measure everyday consumption inequality, and moreover, to show that this important measure of economic well-being varies substantially across cities.