

Bankrate

Four Years After The Pandemic Spike, Wages Still Haven't Fully Caught Up To Inflation

Workers have less purchasing power than they did in early 2021

NEW YORK - August 18, 2025 - Wages have not yet fully caught up to inflation since the pandemic-era surge in prices, but the gap is narrowing. This year's index now stands at -1.2 percentage point, according to Bankrate's 2025 Wage to Inflation Index. This means prices have risen 1.2 points more than wages since the beginning of 2021. While this is progress, compared with previous wage-to-inflation gaps, it still means that pay increases still haven't made up for the corresponding surge in prices.

For more information: <https://www.bankrate.com/banking/federal-reserve/wage-to-inflation-index/>

Inflation has risen 22.7% since January 2021, while wages have grown 21.5% over the same period, according to the latest data provided by the Bureau of Labor Statistics for the second quarter of 2025. The gap has been as wide as 4.8 percentage points in the second quarter of 2022 and began narrowing in the third quarter of 2022, according to Bankrate's analysis.

"Economists call the U.S. economy 'resilient,' but many Americans don't agree," said Bankrate Economic Analyst Sarah Foster. "Over half of Americans (56%) say the U.S. economy is on the wrong track, compared to 1 in 4 (26%) who say it's on the right track, according to [Bankrate's Consumer Sentiment Survey](#). One likely reason for feeling so downbeat is wages still haven't fully recovered from the shock of post-pandemic inflation."

Looking at the past 12 months, progress has slowed amid a cooling labor market and stubborn inflation. From Q2 2024 to Q2 2025, the pace of wage increases dropped by 0.6 percentage point while the pace of price increases dropped by just 0.3 percentage point. Bankrate predicts the gap between wages and inflation will close by the third quarter of 2026 if wages continue to outpace inflation at the same rate.

"These projections are not a forecast," Foster noted. "If the labor market were to slow more or if inflation were to pick up, the road to recovery could take even longer,

underscoring what's at stake if tariffs drive up prices and weigh on job growth, or if the Federal Reserve keeps interest rates too high for too long.”

Not all workers have lost ground to inflation according to Bankrate's analysis. Wages are outpacing pandemic-era inflation in four industries: retail trade, health care and social assistance, leisure and hospitality and food services and accommodation. Wage growth is furthest behind in education, construction, financial activities, professional and business services, and manufacturing.

Industry	Wage growth since 2021	Current gap
Retail	23.3%	+0.5
Health care and social assistance	24.4%	+1.7
Leisure and hospitality	26.8%	+4.1
Accommodations and food services	27.5%	+4.8
Manufacturing	20.2%	-2.5
Professional and business services	19.9%	-2.8
Financial activities	19.3%	-3.4
Construction	19.1%	-3.6
Education	17.9%	-4.8

“The job market functions like any other market, and faster wage growth can be a sign that workers in some industries are still hanging onto some bargaining power.” Foster added. “We also know that Americans are itching for change, something today’s no-hire, no-fire labor market is making difficult with nearly half (48%) of Americans in the workforce saying they are likely to look for a new job in the next 12 months, according to [Bankrate's Worker Intentions Survey](#).”

Methodology:

This analysis tracks how wages and inflation have changed since January 1, 2021, using data from the U.S. Bureau of Labor Statistics. To create the Wage To Inflation Index, Bankrate indexed both the employment cost index (ECI) and the consumer price index (CPI) to 100 on that start date, then measured how much each has grown since. Figures reflect the difference between the two, with a negative number meaning workers are still “in the hole.” To estimate when that gap may close, Bankrate used a second-degree polynomial regression to model the trend in the gap over time.

All figures from ECI reflect employers' wages and salary costs for private-industry workers, except for education, which includes wages for both public and private-sector employees. Bankrate's projections are not predictions for the U.S. economy or real-world trends and should only be used for insight through the third quarter of 2026.

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