



February 2025

Inflation in the Midwest

January 2025

Author: Andrzej Wieciorkowski

All the data referenced in this report come from the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) database. This source produces estimates of price levels neither for Iowa exclusively nor for any metropolitan area within Iowa; therefore, this report references data from the Midwest region (Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin) to represent changes in consumer prices in Iowa.

Key Findings

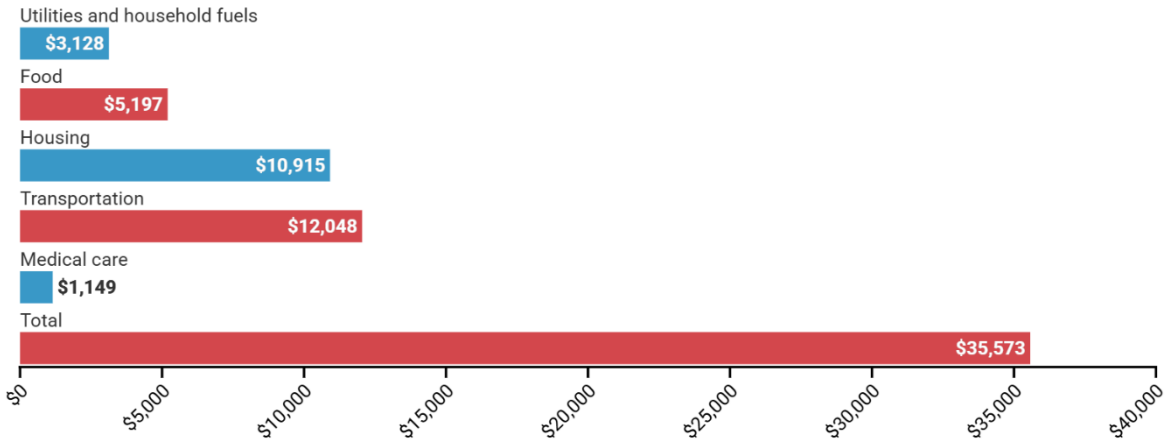
- **Midwest inflation was back on the rise in January, growing 3.4% over the last year, the highest year-over-year inflation number in 18 months.** United States inflation is also rising, hitting 3% in January.
- **From December to January, prices across all consumer goods grew by 0.64% in the Midwest—or an annualized rate of 7.68%—compared with 0.5% for the U.S.**
- **Because of inflation, the average Iowa household has spent over \$35,000 more since 2020 to maintain the same standard of living.**
- In January, the average Iowa household spent about \$1,133 more due to inflation relative to 2020.
- **Since the pandemic, overall inflation in the Midwest is 23.1%—higher than the United States' 23.07%.**
- Prices for housing and services grew the most with 4.8% and 4.5% year-over-year increases; only 2 of 12 major consumer categories showed a year-over-year decline.
- Month-over-month price inflation for utilities and household fuels grew the most at 2.45%—up from 1.5% in December.

Iowa households lost \$35,000 to inflation since 2020

The typical Iowa household must now spend \$1,133 per month more than it did in 2020 to maintain the same standard of living. That same household has spent an additional \$35,573 in total since 2020 to maintain the same standard of living.¹ This amounts to a 23.1% rise in consumer prices. The cost increases have been led by a surge in housing, transportation, and food prices, which have risen by \$405, \$288, and \$166 per month, respectively. In January, fuels and utilities was the hottest item, growing in price by 2.45% over last month. Following that was recreation and food growing 0.88% and 0.83% over the last month. Figure 1 shows the increase in costs for Iowans in five key consumer categories and the cumulative increases in costs since 2020.

Inflation's Impact on What Iowans Buy

How much more has the average Midwest household spent since 2020 because of inflation?



Midwest Inflation comes in hot

Inflation for January came in hotter for the Midwest than nationally. Nationally, year-over-year inflation grew to 3% (+0.1%), while in the Midwest inflation grew to 3.4% (+0.4%). Despite steady inflation levels through the beginning of last year, the last two month-over-month inflation prints for the Midwest experienced an unexpected and rapid rise. Since January 2024, Midwest 12-month inflation has exceeded the broader United States four times. All these occurrences happened after July’s print when Common Sense Institute highlighted the Federal Reserve’s dual mandate and the difficulty in maintaining both low unemployment and inflation.ⁱⁱ January’s print points to the inevitability of rising prices in the face of keeping low unemployment, last recorded at 3.2% in Iowa.ⁱⁱⁱ

Investors remain confident that the Federal Reserve will not continue with another rate cut in March.^{iv} The surprising nature of this month’s hot inflation print has, at least temporarily, put investors on edge for how the Federal Reserve will continue onward. This puts even more uncertainty for Iowa, as January’s spike in inflation alongside Iowa’s recent employment slide should heed a cautionary warning for Iowans.

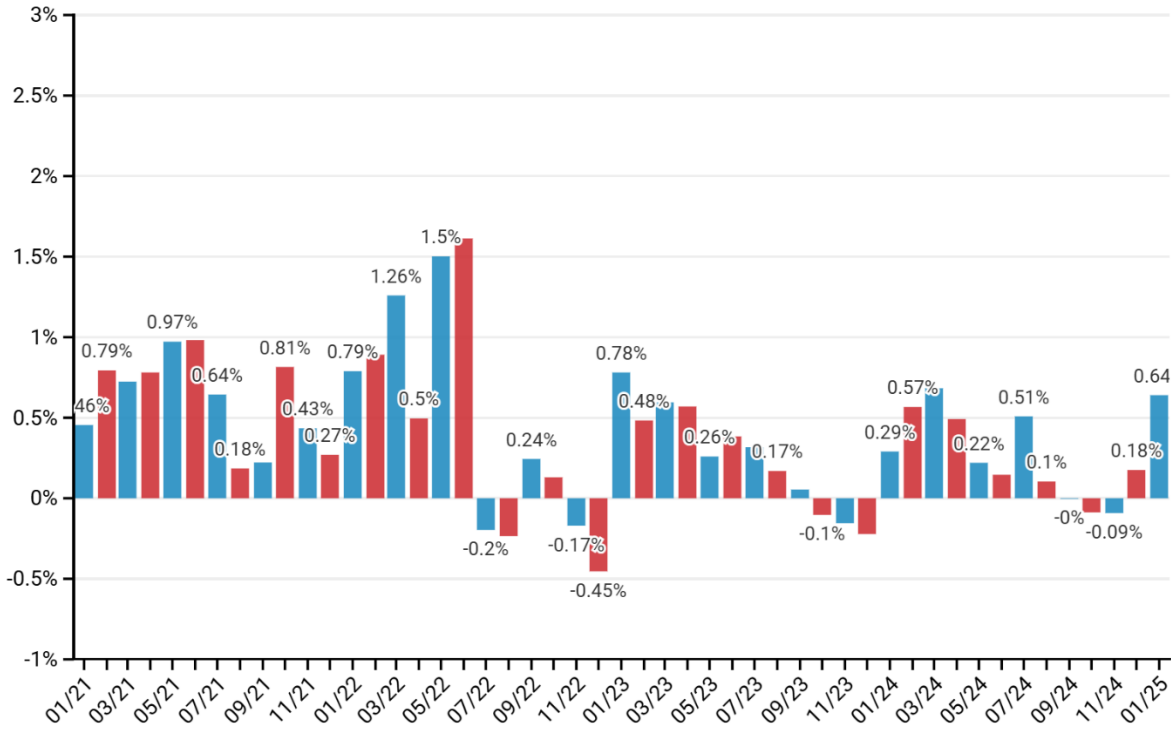
Annual Rate of Inflation Since January 2020



Source: BLS: CPI-U Data

Monthly inflation in the Midwest grew from 0.175% in December 2024 to 0.64% in January 2025 (+0.46%). January inflation typically comes in hotter than December due to energy and utility price spikes, but to keep inflation growth low in 2025 the Midwest needs to avoid major inflationary months. For Midwest inflation to remain at or below the Fed’s 2% target for 2025, month-over-month inflation will need to average no more than 0.12% for the rest of the year. Nationwide month-over-month inflation hit 0.5% in January, also exceeding expectations.

Monthly Inflation in the Midwest Region since January 2021



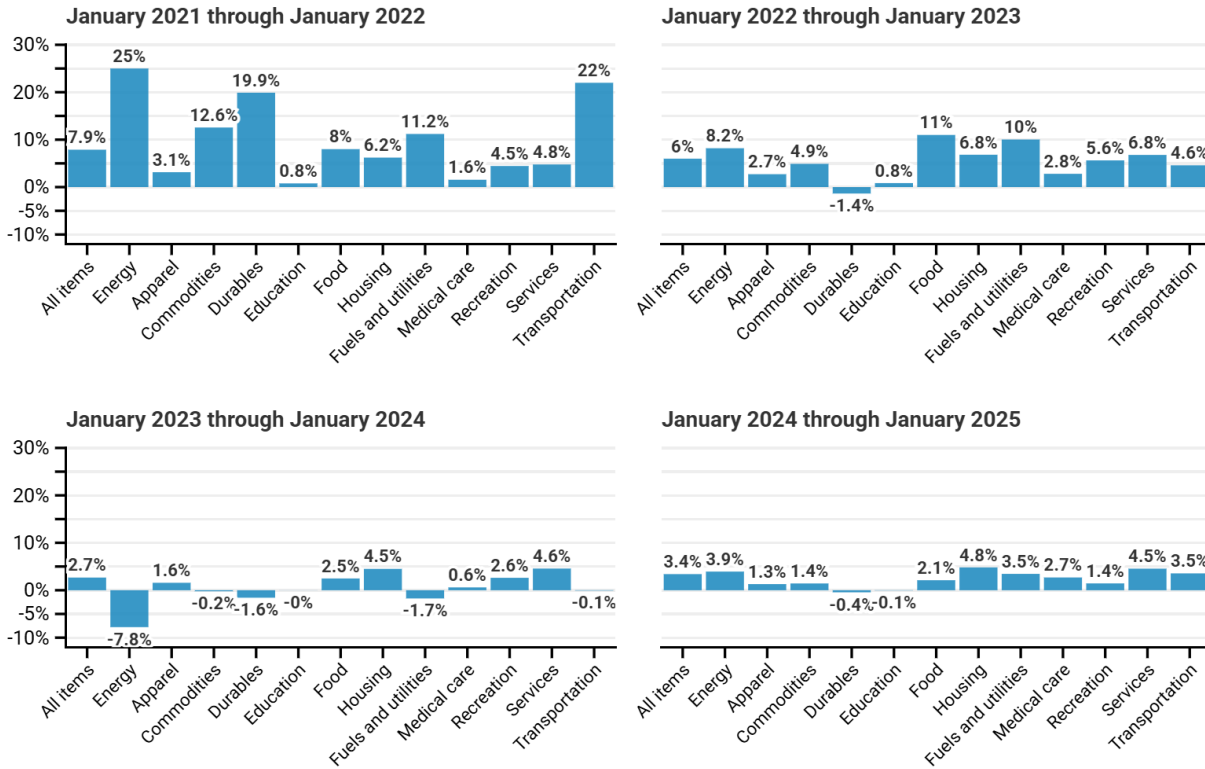
Source: BLS CPI-U Data

Energy, fuels and utilities lead inflation growth

All but two key items grew year-over-year in January’s print. Notably, the costs of housing and services continue to be disproportionately impacted across the Midwest. They have increased by 4.8% and 4.5% between January 2024 and January 2025, about the same as last month’s print. Year-over-year inflation for energy (3.9%), fuels and utilities (3.5%), transportation (3.5%), medical care (2.7%), and food (2.1%) also grew over 2%. Only durables (-0.4%) and education (-0.1%) costs fell. All other items not mentioned range between 1.3% and 1.4%. Unfortunately, this print shows higher price growth in 2023/24 than in 2022/23. If the Midwest hopes to reach the Federal Reserve’s 2% goal, year-over-year inflation in some of these items needs to reverse back to deflationary territory.

Price Changes in the Midwest over Previous Years

Source: BLS CPI-U Data



Bottom Line

In its [September](#) inflation report, CSI warned, “[M]onetary policy impacts the economy with a lag both on the way up and on the way down.”^v It seems the lag effect of the Fed’s 50-basis point rate cuts last September may be starting to show up in consumer prices. January’s national inflation print came in above forecasts, spooking investors and markets shortly after the data release.^{vi} And across the Midwest, the consistent price growth for basic essentials like energy, housing, and food prices has pushed inflation in the region even higher. As the Fed likely decides to skip a March rate cut, Midwest prices will not automatically reverse their current trend. Common Sense Institute will continue to monitor inflation data in the coming months.

ⁱ Impacts on household spending are generated by distributing the consumer expenditure estimates from https://web.archive.org/web/20220121095708/https://www.bls.gov/regions/midwest/data/consumerexpenditures_selectedareas_table.htm across individual months, weighting them according to their corresponding CPI levels, and adjusting them according to the latter’s growth history.

ⁱⁱ Ben Murrey and Andrzej Wieciorkowski, “Iowa Inflation, Employment, and Economic Update – July 2024,” Common Sense Institute, August 16, 2024, <https://www.commonsenseinstituteus.org/iowa/research/jobs-and-our-economy/iowa-inflation-employment-and-economic-update---july-2024>.

ⁱⁱⁱ Andrzej Wieciorkowski, “Iowa Jobs and Labor Force Update – December 2024,” Common Sense Institute, January 28, 2025, <https://www.commonsenseinstituteus.org/iowa/research/jobs-and-our-economy/iowa-jobs-and-labor-force-update-december-2024>.

^{iv} CME Group, “FedWatch,” accessed February 12, 2025 at 8:11 am CST, <https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html>.

^v Andrzej Wieciorkowski, *Inflation in the Midwest – September 2024*, (Common Sense Institute, 2024), <https://www.commonsenseinstituteus.org/iowa/research/jobs-and-our-economy/inflation-in-the-midwest-september-2024>.

^{vi} Yahoo Finance, “Stock market today: Dow, S&P 500, Nasdaq slide as hot inflation data spooks markets,” February 12, 2025, <https://finance.yahoo.com/news/live/stock-market-today-dow-sp-500-nasdaq-slide-as-hot-inflation-data-spooks-markets-010333695.html?>