



December 2024

Inflation in the Midwest

November 2024

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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

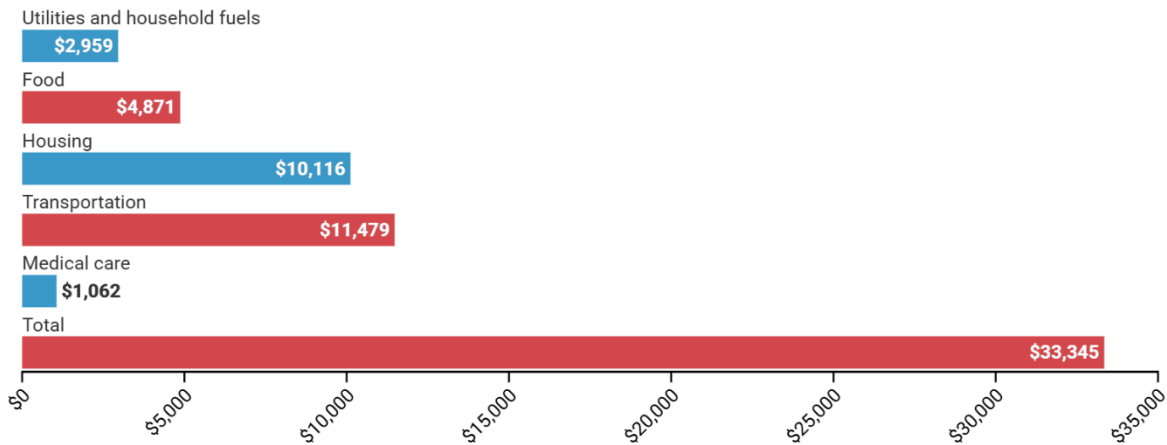
- Inflation over the last year remained at 2.6% for the Midwest. It was 2.7% for the U.S., up from 2.6% in October.
- **Because of inflation, the average Iowa household has spent over \$33,000 more since 2020 to maintain the same standard of living.**
- In November, the average midwestern household spent about \$1,084 more due to inflation relative to 2020, a marginal improvement from last month.
- From October to November, prices across all consumer goods slightly fell by 0.09% in the Midwest. This is the Midwest's third straight deflationary month of the year and continues a favorable trend.
- **Since the pandemic, overall inflation in the Midwest is 22.1%—lower than the United States' 22.23%.**
- Prices for housing and services grew the most at 4.7% and 4.3% year-over-year increase; energy prices fell the most with a 3.4% year-over-year decline.
- Food prices also grew year-over-year at a 2.4%, a slight uptick from last month's 2%.

Iowa households lost \$33,000 to inflation since 2020

As a result of emergency fiscal and monetary measures in response to the pandemic, the typical Iowa household must now spend \$1,084 per month more than it did in 2020 to maintain the same standard of living. That same household has spent an additional \$33,344 in total since 2020 to maintain the same standard of living.¹ This amounts to a 22.1% rise in consumer prices. The cost increases have been led by a surge in housing, transportation, and food prices, which have risen by \$385, \$277, and \$161 per month, respectively. Figure 1 shows the increase in costs for Iowans in five key consumer categories and the cumulative increases in costs since 2020.

Figure 1. Inflation's Impact on What Iowans Buy

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

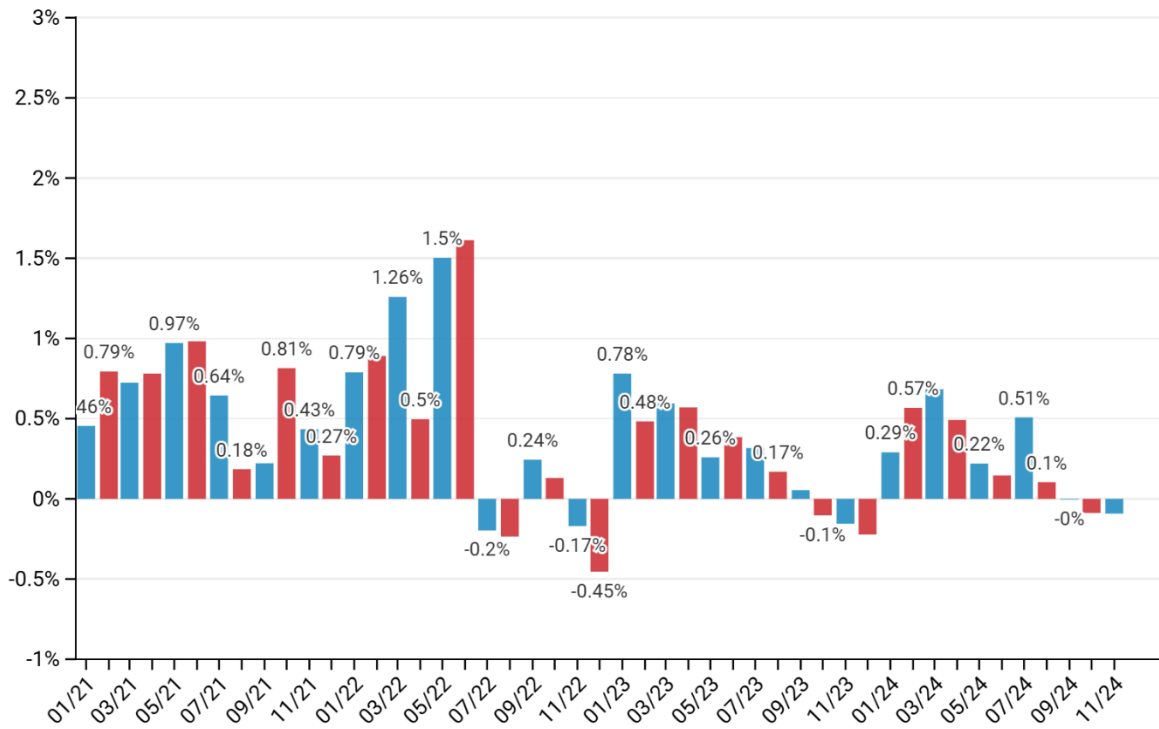


Inflation remains consistent

November's inflation print shows the Midwest remains steady while the broader United States slightly ticks up. Nationally, year-over-year inflation grew by 0.1% from 2.6% to 2.7%. Across the Midwest, inflation remained at 2.6%. Month-over-month inflation in the Midwest experienced its third straight deflationary month of 2024.

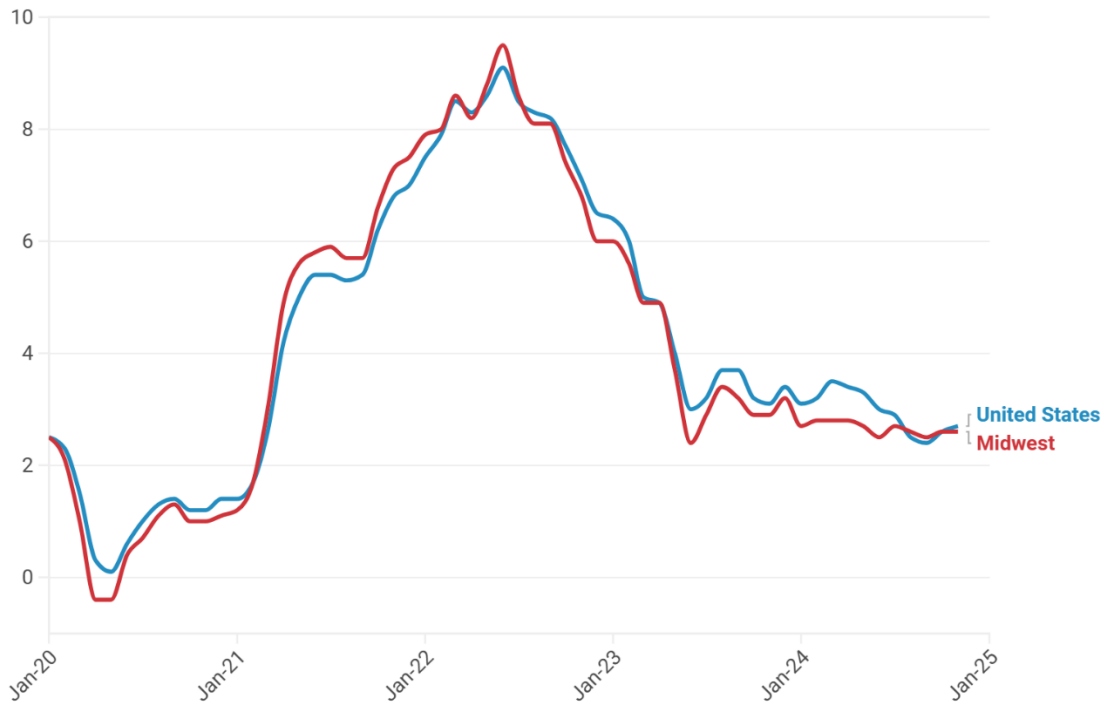
Before today's inflation print, investors were 88.9% confident the Federal Reserve would reduce the federal funds rate by 25 basis points in December. Today, the implied market odds jumped to 99.9% and imply a unanimous consensus for a rate cut.ⁱⁱ Although this inflation print sparks confidence for further rate cuts, Iowans should proceed cautiously as other economic indicators like employment are showing possible weakness.

Figure 2. Monthly Inflation in the Midwest Region since January 2021



Source: BLS CPI-U Data

Monthly inflation in the Midwest fell from -0.088% in October 2024 to -0.092% in November 2024—the third deflationary month of this year. November 2024 recorded a slightly lower deflationary month than at the same time last year. For comparison, monthly inflation was -0.16% in November 2023 and -0.17% in November 2022. While deflation has slowed compared to the same month in prior years, the last few months’ deflation have helped bring year-over-year inflation closer to the Federal Reserve’s 2% target inflation rate.

Figure 3. Annual Rate of Inflation Since January 2020

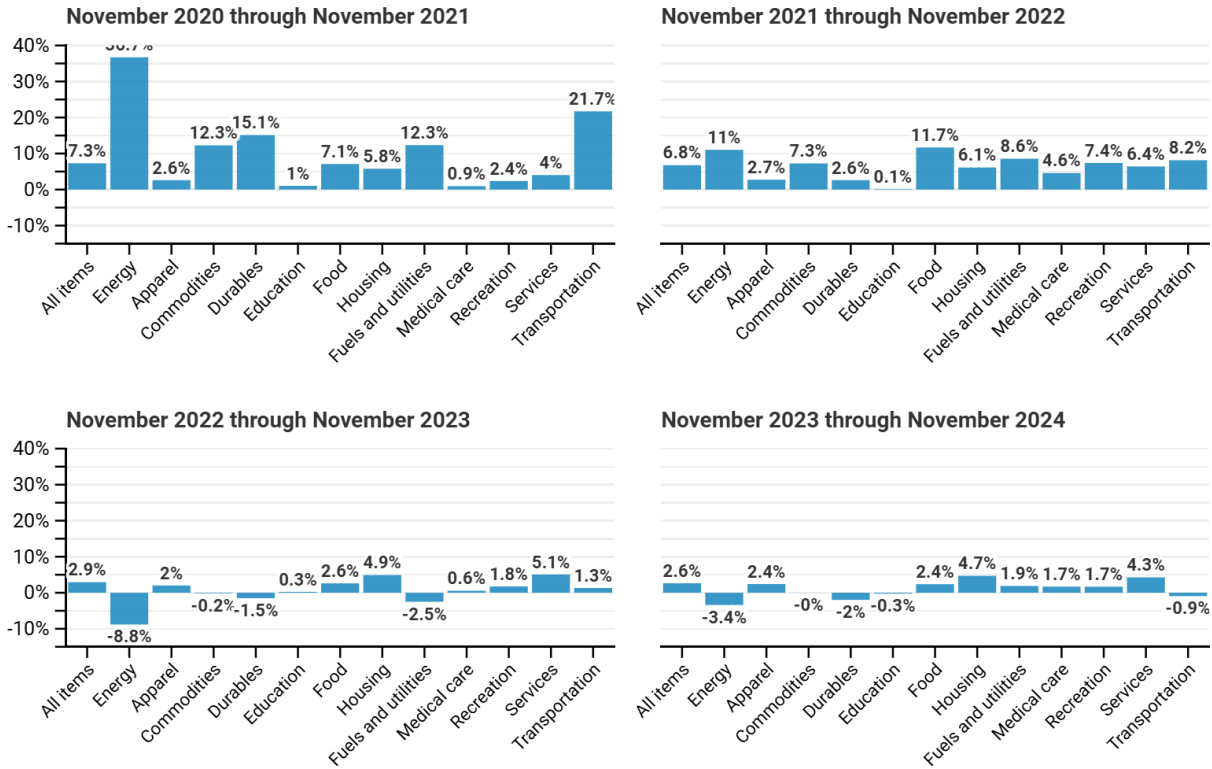
Source: BLS: CPI-U Data

Key items continue to grow in price

The costs of housing and services continue to be disproportionately impacted by inflation across the Midwest. Both have increased by 4.7% and 4.3% between November 2023 and November 2024. Other items have shifted around. Annual inflation for fuels and utilities has declined to 1.9%, down from 3.5% last month. Food costs have risen 2.4% year-over-year, 0.4% more than last month. Housing and food costs are 0.09% and 0.4% higher than between October 2023 and October 2024, but services are 0.34% lower. Common Sense Institute has been reporting increasing inflation costs for these items since its July 2024 inflation report, but shifting trends signal that some items are improving while others worsening. Energy and durables inflation cooled the most in November, falling by 3.4% and 2% respectively. All other items not mentioned range between -0.9% and 2.4%, signaling prices stayed relatively flat.

Price Changes in the Midwest over Previous Years

Source: BLS CPI-U Data



Bottom Line

In its [September](#) inflation report, CSI noted the existing lag between actions by the Federal Reserve and inflationary trends. Although this month’s print does not stir concern, any direct price effects from the Fed’s recent and future rate cuts will likely not appear in inflation data for several months. Common Sense Institute will continue to monitor inflation data in the coming months for signs of the lag effect of monetary policy pushing up consumer prices.

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 CME Group, “FedWatch,” accessed December 11, 2024 at 8:45am CST, <https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html>.