



November 2024

Inflation in the Midwest

October 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

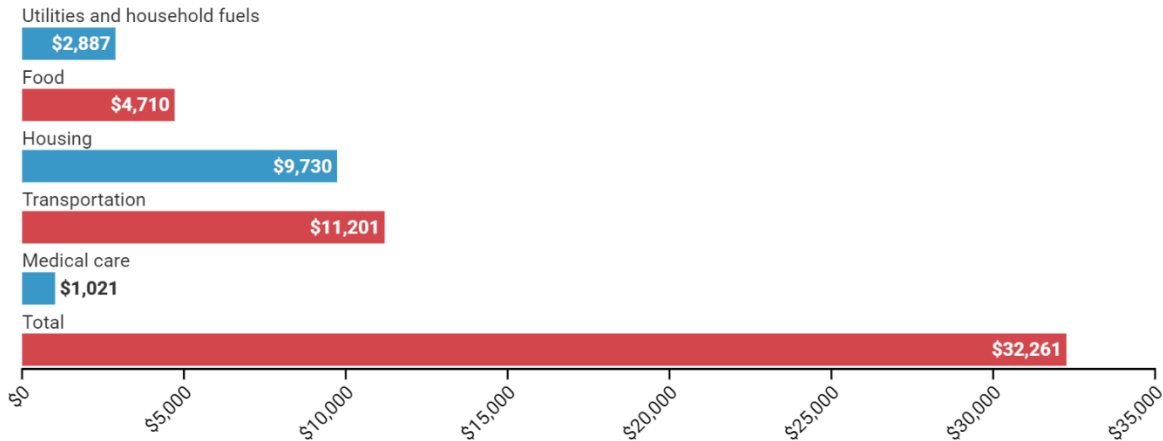
- Inflation over the last year was 2.6% for the Midwest, up from 2.5% in September. It was also 2.6% for the U.S., up from 2.4% in September.
- **Because of inflation, the average Iowa household has spent over \$32,000 more since 2020 to maintain the same standard of living.**
- In October, the average midwestern household spent about \$1,089 more due to inflation relative to 2020, a marginal improvement from last month.
- From September to October, prices across all consumer goods slightly fell by 0.09% in the Midwest. This is the Midwest's second deflationary month of the year and continues a favorable trend.
- **Since the pandemic, overall inflation in the Midwest is 22.21%—lower than the United States' 22.30%.**
- Prices for housing and services grew the most with a 4.6% year-over-year increase; energy prices fell the most with a 2.8% year-over-year decline.
- All other items not mentioned stayed relatively flat, between -0.6% and 2.6%.

Iowa households lost \$32,000 to inflation since 2020

In early 2021, inflation across the United States began to rise at rates far above the historic norm. In the Midwest, consumer prices have risen by 22.21% since March of 2020 when emergency fiscal and monetary measures went into effect to blunt the impact of economic shutdowns. As a result, the typical Iowa household must now spend \$1,089 per month more than it did in 2020 to maintain the same standard of living. That same household has spent an additional \$32,260 since 2020 to maintain the same standard of living.ⁱ The cost increases have been led by a surge in housing, transportation, and food prices, which have risen by \$383, \$284, and \$160 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?

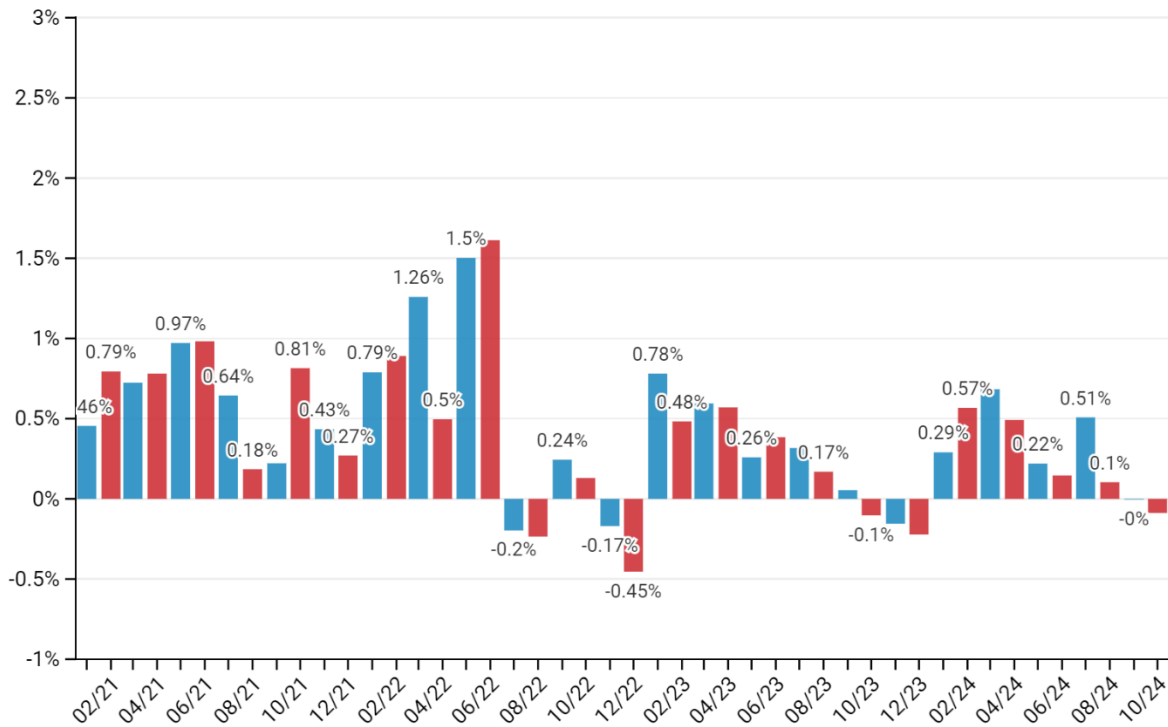


Inflationary cooling stays consistent

October's inflation print indicates a continuation of cooler inflation. At the national level, year-over-year inflation grew by 0.2% from 2.4% to 2.6%, in line with Wall Street expectations.ⁱⁱ Across the Midwest, inflation grew by 0.1% from 2.5% to 2.6%. Despite the slight uptick, month over month inflation in the Midwest experienced its second deflationary month of 2024. This further indicates that the region is cooling down quicker than the broader United States.

Prior to today's inflation print, investors were 58.7% confident the Federal Reserve would reduce the federal funds rate by 25 basis points in December. Today, the implied market odds rose to 82.3%.ⁱⁱⁱ Looking forward, next week's employment numbers will shed light into how the labor market has been impacted by ongoing monetary policies. Although a lag exists between Federal Reserve rate cuts and shifts in the labor market, strong employment numbers will further incentivize the Federal Reserve to cut rates.

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



Source: BLS CPI-U Data

Monthly inflation in the Midwest fell from -0.004% in September 2024 to -0.09% in October 2024—the second deflationary month of this year. These last two months are closely following last year’s trend. For comparison, monthly inflation was -0.1% in October 2023 and 0.13% in October 2022. To provide meaningful deflationary trend nearing the Federal Reserve’s 2% target rate, the November and December 2024 inflation prints need to keep pace or outperform the tail end of 2023.

Figure 3. Annual Rate of Inflation Since January 2020



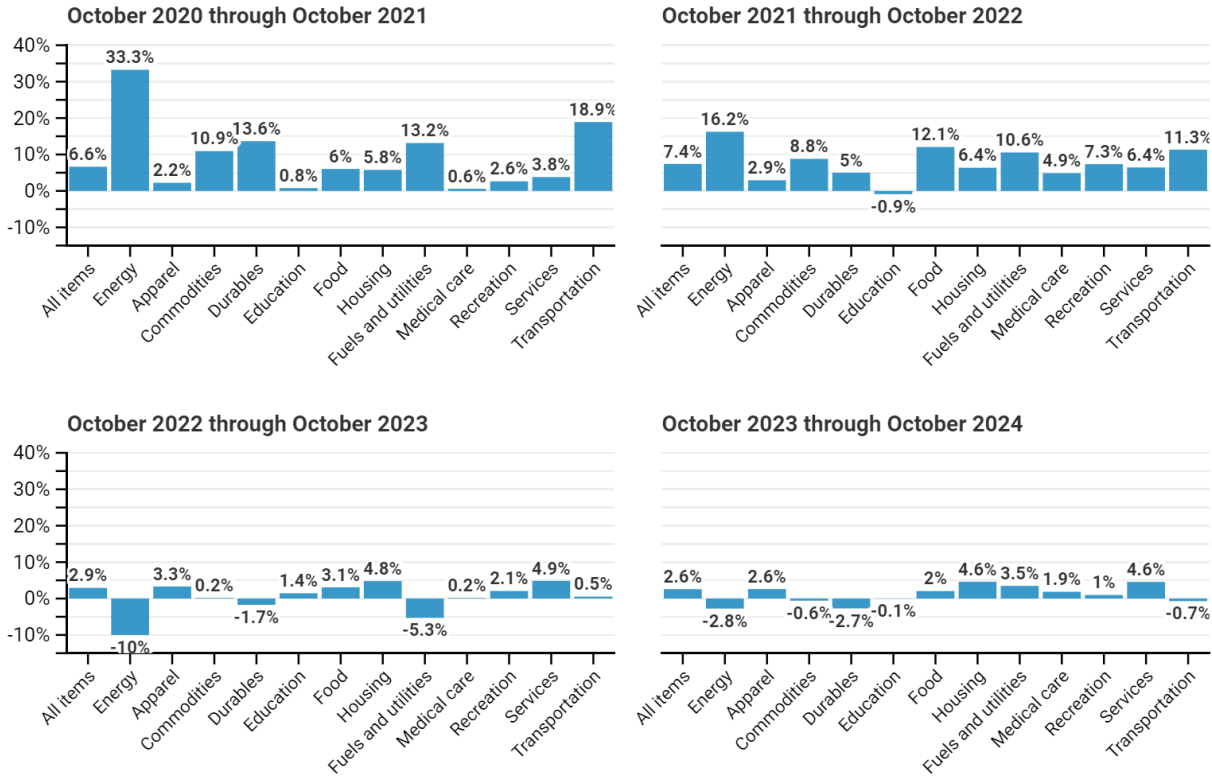
Source: BLS: CPI-U Data

Most sectors continue to cool in October

The cost of housing, services, and fuels and utilities continue to be disproportionately impacted by inflation across the Midwest. Service and housing costs have both increased by 4.6% between October 2023 and October 2024, while fuels and utilities has increased by 3.5%. Service and housing costs are 0.3% and 0.2% lower than between September 2023 and September 2024, but fuels and utilities is 0.2% higher. Common Sense Institute has been reporting similar inflation costs for these items since its July 2024 inflation report, signaling that these industries are not cooling as quickly as others. Energy and durables have cooled the most in October, falling by 2.8% and 2.7% respectively. All other items not mentioned range between -0.6% and 2.6%, signaling that 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 continues to signal a favorable downtrend in inflation for Iowa consumers, any direct price effects from the Fed’s recent and future rate cuts will likely not appear in inflation data for several months. In the meantime, next week’s employment figures will provide insight into the other side of the Fed’s dual mandate. Last month, [CSI reported](#) Iowa experienced a tightening labor market and significant loss of 4,800 workers. If that trend continues nationally, it could challenge the Federal Reserve’s hopeful economic outlook, incentivizing rate cuts. 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_s

[electedareas table.htm](#) across individual months, weighting them according to their corresponding CPI levels, and adjusting them according to the latter’s growth history.

ⁱⁱ Jeff Cox, “Annual inflation rate hit 2.6% in October, meeting expectations,” CNBC, <https://www.cnbc.com/2024/11/13/cpi-inflation-october-2024.html>.

ⁱⁱⁱ CME Group, “FedWatch,” accessed November 13, 2024 at 8:47am CST, <https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html>.