



March 2025

# Inflation in the Midwest

February 2025

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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

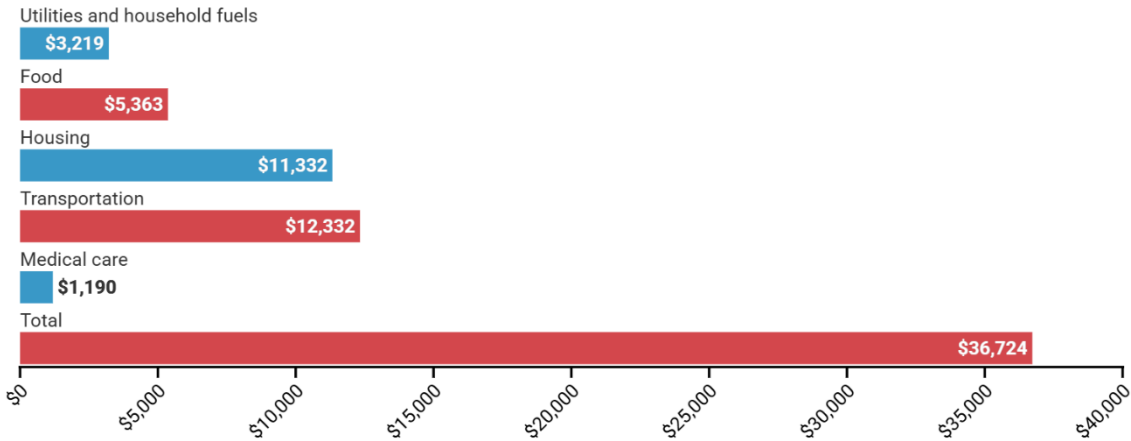
- **Midwest inflation remained higher than the U.S. in February despite falling to 3.1% (-0.3%) over the last year.** United States inflation also fell, hitting 2.8% (-0.2%) in February.
- **From January to February, prices across all consumer goods grew by 0.3% in the Midwest—or an annualized rate of 3.6%.**
- **Because of inflation, the average Iowa household has spent over \$36,000 more since 2020 to maintain the same standard of living.**
- In February, the average Iowa household spent about \$1,151 more due to inflation relative to 2020.
- **Since the pandemic, overall inflation in the Midwest is 23.44%—lower than the United States' 23.62%.**
- Prices for housing and services grew the most with 5.0% and 4.6% year-over-year increases; only 2 of 12 major consumer categories, energy and durables, showed a year-over-year decline.
- Month-over-month price inflation for utilities and household fuels grew at 0.7%—down from 2.5% in January.

## Iowa households lost \$36,000 to inflation since 2020

The typical Iowa household must now spend \$1,151 per month more than it did in 2020 to maintain the same standard of living. That same household has spent an additional \$36,724 in total since 2020 to maintain the same standard of living.<sup>1</sup> This amounts to a 23.4% rise in consumer prices. The cost increases have been led by a surge in housing, transportation, and food prices, which have risen by \$417, \$283, and \$165 per month, respectively. In February, fuels and utilities were the hottest item, growing in price by 0.7% over last month. Following that was housing and recreation growing 0.6% and 0.5% over the last month. Food, transportation, and medical care declined in the last month, falling by 0.1%, 0.4%, and 0.5%, respectively. 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?



## Inflation remains higher in the Midwest than nationally

Year-over-year inflation for February came in hotter for the Midwest than nationally for the third month in a row. Nationally, year-over-year inflation fell to 2.8% (-0.2%), while in the Midwest inflation fell to 3.1% (-0.3%). This month's print reverses the unexpected and rapid rise in inflation the Midwest saw in January 2025 but still marks the region as having higher inflation than the nation. Since January 2024, Midwest 12-month inflation has exceeded the broader United States inflation more than five-fold. 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.<sup>ii</sup> Given those concerns, investors remain confident that the Federal Reserve will not continue with another rate cut in March.<sup>iii</sup>

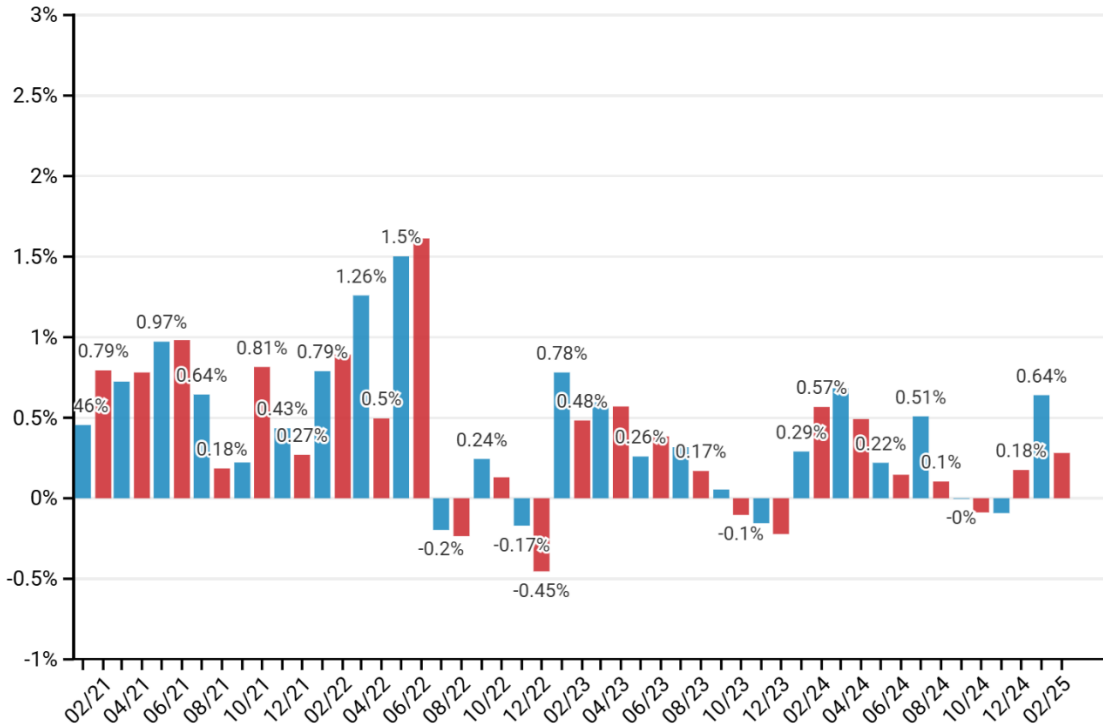
## Annual Rate of Inflation Since January 2020



Source: BLS: CPI-U Data

Monthly inflation in the Midwest declined from 0.6% in January 2025 to 0.3% in February 2025 (-0.3%). This month's print is an improvement from the prior two February prints, where MoM inflation came in at 0.5% in 2023 and 0.6% in 2024. While this is an improvement from the surprising high MoM change in last month's print, the Midwest needs to avoid major inflationary months to keep inflation growth low in 2025. For Midwest inflation to reach the Fed's 2% target by December 2025, month-over-month inflation will need to average no more than 0.2% for the rest of the year. Nationwide month-over-month, non-seasonally adjusted inflation hit 0.4% in February, exceeding the Midwest.

## Monthly Inflation in the Midwest Region since January 2021



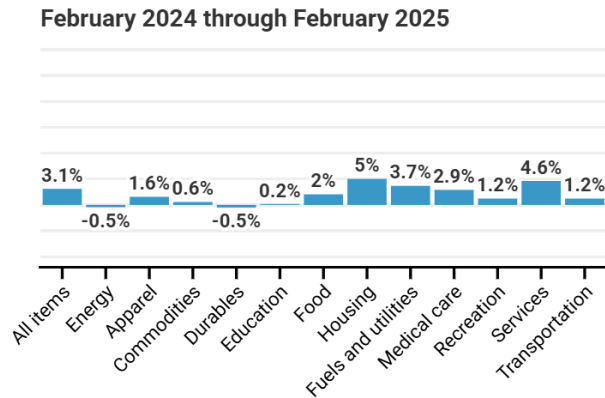
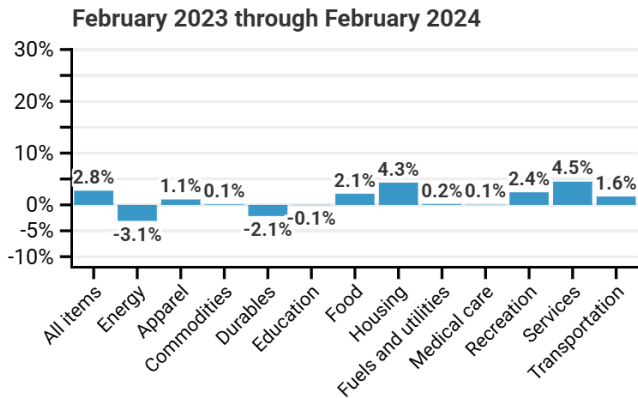
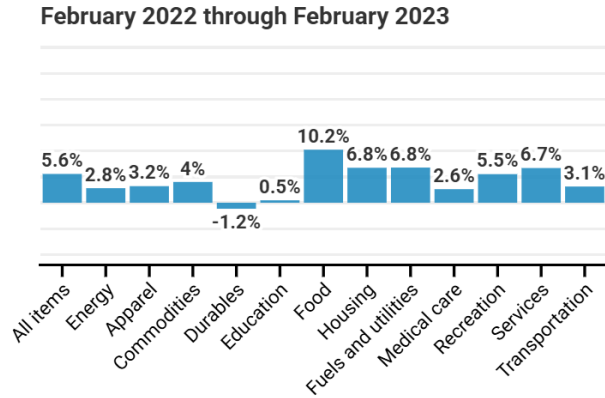
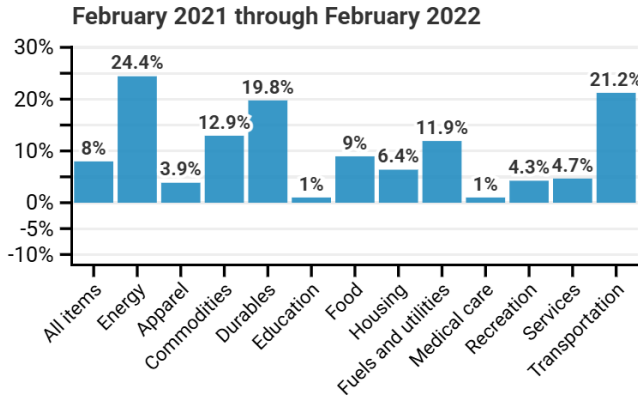
Source: BLS CPI-U Data

## Housing and services lead inflation growth

All but two key items grew year-over-year in February’s print. Notably, the costs of housing and services continue to be disproportionately impacted across the Midwest. They have increased by 5.0% and 4.6% between February 2024 and February 2025, slightly higher than last month’s print. Year-over-year inflation for fuels and utilities (3.7%), medical care (2.9%), and food (2%) also grew over 2%. Only durables (-0.5%) and energy (-0.5%) costs fell. All other items not mentioned range between 0.2% and 1.6%. Unfortunately, this print shows higher price growth in 2024/25 than in 2023/24. 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

Midwest inflation remains high, outpacing the national average for yet another month. While some key costs like food and transportation eased slightly, overall price growth continues to weigh heavily on households, particularly in housing and essential services. The region has made some progress in cooling inflation, but sustained declines will be necessary to align with the Federal Reserve’s long-term target. Without meaningful slowdowns in key categories, the financial strain on families is unlikely to ease anytime soon.

<sup>i</sup> 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](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.

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<sup>ii</sup> 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>.

<sup>iii</sup> CME Group, “FedWatch,” accessed February 12, 2025 at 8:08 am CST, <https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html>.