

Inflation in the Midwest

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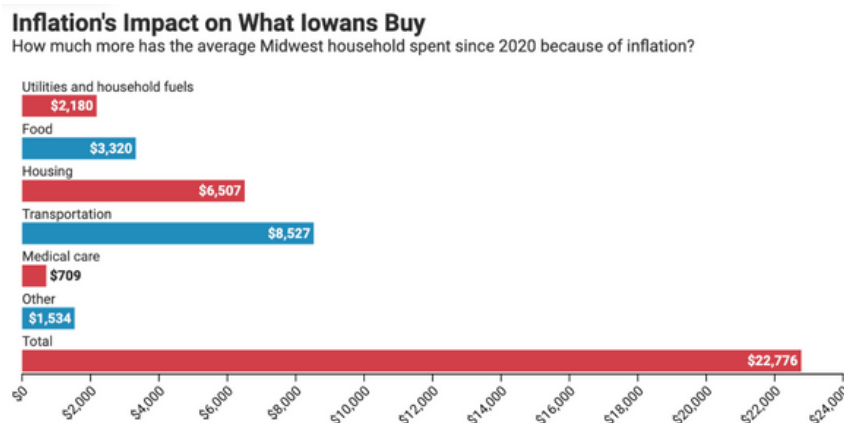
All the data referenced in this report come from the U.S. Bureau of Labor Statistics’ Consumer Price Index (CPI) database. This source produces estimates of price levels neither for Iowa exclusively nor for any metropolitan area within Iowa; therefore, this report references data from the Midwest region (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

- In January, the average midwestern household spent \$940 more due to inflation relative to January 2020. The average household has spent \$22,776 more since 2020 because of higher inflation.
- From December to January, prices across all consumer goods rose by 0.3% in the Midwest. This was the first month-over-month inflation since September and the highest rate of inflation since July.
- Midwest region inflation has trailed the national average over the last 12 months—2.7% in the Midwest compared to 3.1% across the United States.
- At 0.3%, January month-over-month inflation increased to the highest level since July. This breaks the trend of falling inflation throughout 2023.
- In the Midwest region from January 2023 to January 2024, the price of services grew by 4.6% and the price of housing grew by 4.5% while the price of energy fell by 7.8%.

Inflation has cost Iowa families nearly \$23,000 since 2021

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 over 17% in the last three years. As a result, the typical Iowa household has spent an additional \$22,800 since the start of 2021 to maintain the same standard of living. While the cost of living will likely never return to 2020 levels, consumer prices fell for Midwesterners in the last three months of 2023. Unfortunately, inflation returned in the new year.

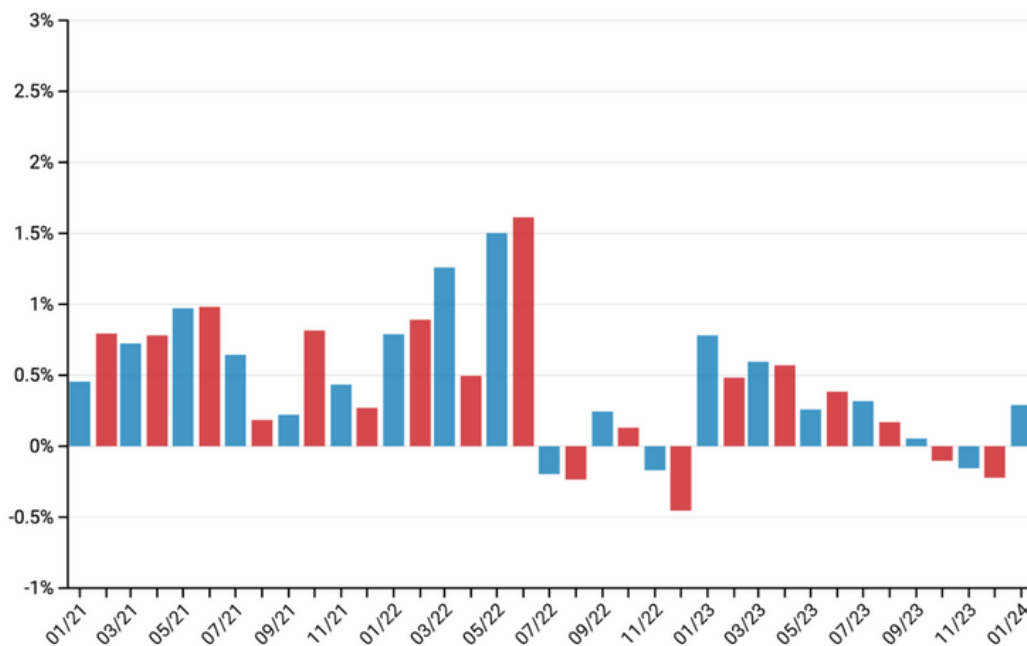


Inflation returns in January after 3 months of deflation

Economists look at inflation in various ways, and each metric often tells a different story. Over the three decades before 2021, inflation averaged 2.3% annually across the United States and 2.1% in the Midwest. In contrast, each year from 2021 through 2023 it rose by 5.1%, 8.0%, and 3.8% in the Midwest compared with 4.7%, 8.0%, and 4.1% nationally. Put differently, from 2021 through 2023 inflation averaged 5.6% in the United States and 5.63% in the Midwest. Based on annual averages, inflation remained historically elevated for three consecutive years. While measuring inflation in this way shows a continuation of higher-than-usual inflation, recent month-over-month and 12-month inflation data paint a different picture.

The month-over-month changes in consumer prices throughout 2023 suggest the three-year trend of surging prices may be reversing. After falling sharply in the second half of 2022, inflation surged in the Midwest in January of 2023. Throughout the year, however, inflation trended consistently downward, declining from the previous month in all but two months. Last year ended with three consecutive months of month-over-month deflation for a total 0.5% decline in consumer prices. Visualized in the table below, the downward trend becomes clear. The 12-month inflation rate suggests the same trend. Midwest region inflation came in at just 2.7% from January 2023 to January 2024, trailing United States inflation of 3.1%. The January month-over-month number, however, put a trend reversal into question. The next few months' data will help to clarify whether inflation will remain sticky, or the disinflation trend of 2023 will hold.

Monthly Inflation in the Midwest Region since January 2021



Source: BLS CPI-U Data

Energy back on the rise

While overall prices rose in January, the change in prices varied dramatically by category. In the Midwest region from January 2023 to January 2024, the price of services grew by 4.6% and the price of housing grew by 4.5% while the price of energy fell by 7.8%. On a month-over-month basis, however, apparel rose by the greatest amount at 3.1% followed by fuels and utilities at 2.1%. Energy prices also rose for the first time since August. Only durables (-0.1%) and transportation (-1.5%) decreased in price since December.

Price Changes in the Midwest over Previous Years

Source: BLS CPI-U Data

