August 2026

Inflation in the Midwest

July 2026

Author: Andrzej Wieciorkowski

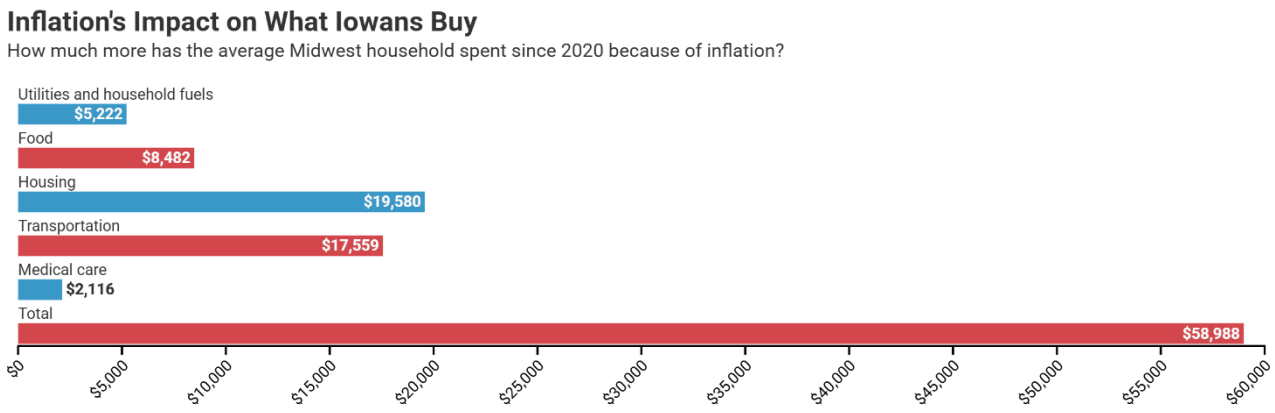
All the data referenced in this report come from the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) database. This source produces estimates of price levels neither for Iowa exclusively nor for any metropolitan area within Iowa; therefore, this report references data from the Midwest region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

- **Year-over-year inflation fell from 3.5% to 3.4% for the U.S. and from 3.8% to 3.5% for the Midwest in July 2026.**
- Consumer prices in the Midwest are up 29.8% since January 2020.
- **Because of inflation, the typical Iowa household has spent nearly $59,000 more since 2020 to maintain the same standard of living.**
    - The typical Iowa household is now spending about $1,465 more per month than in 2020, driven largely by higher housing, transportation, and food costs.
- Monthly inflation in the Midwest rose from -0.45% in June 2026 to -0.20% in July 2026. **This marks the region's second lowest monthly reading in 2026**.
    - Nationwide, non-seasonally adjusted monthly inflation rose from -0.35% in June to -0.01% in July—above the Midwest's reading.
- **Nearly every major spending category increased year-over-year.** From July 2025 to July 2026—
    - Energy (14.2%) and apparel (6.4%) **rose at least 6%,**
    - Transportation (5.0%) and fuels and utilities (4.9%) **rose by at least 4%,**
    - Housing (3.8%), recreation (3.6%), services (3.6%), and commodities (3.3%) **rose by at least 3%**,
    - Food (2.8%) **rose by at least 2%,**
    - Medical care (1.9%) and education (0.4%) rose **under 2%**, while durable goods (-1.1%) **declined.**
- **Shelter contributed the most to Midwest inflation—1.45 of the 3.5 percentage points, or roughly 40%.**
    - Transportation, which includes gasoline for household vehicles, followed at 0.82 percentage points.

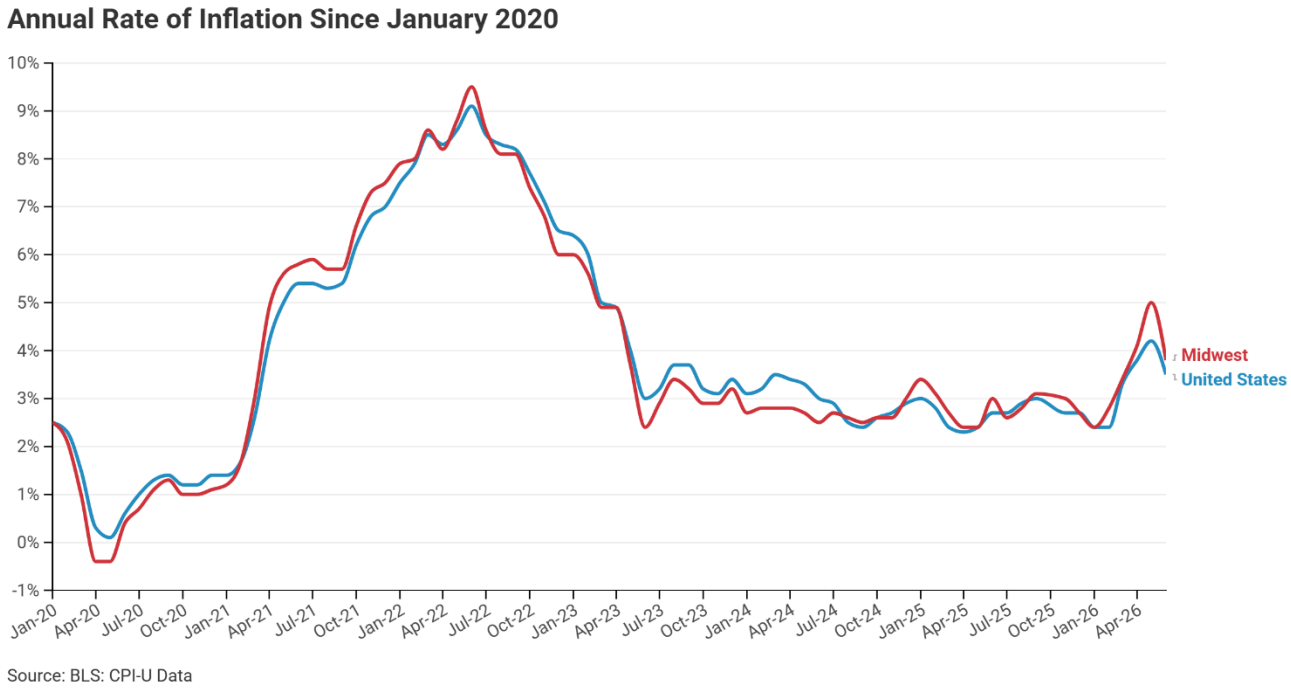
Iowa households lost nearly $59,000 to inflation since 2020

The typical Iowa household must now spend $1,465 per month more than it did in 2020 to maintain the same standard of living. That same household has spent an additional $58,988 in total since 2020 to maintain the same standard of living.[i] This nominal increase corresponds to a 29.8% rise in consumer prices. The cost increases have been led by a surge in housing, transportation, and food prices, which have risen by $545, $352, and $197 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.



Midwest inflation eases but remains above nation

Inflation pressures eased in July across the United States and the Midwest. Year-over-year inflation nationally fell from 3.5% to 3.4%, while the Midwest's rate declined from 3.8% to 3.5%. Despite this improvement, both remain elevated, higher than nearly any point in 2024 or 2025. Each also sits well above the Federal Reserve's 2% target, a sign that price stability is far from restored. The Federal Reserve has held interest rates steady throughout 2026, and most investors expect it to continue that pattern at its September meeting—though a growing share now sees a 25-basis-point hike as possible.[ii]

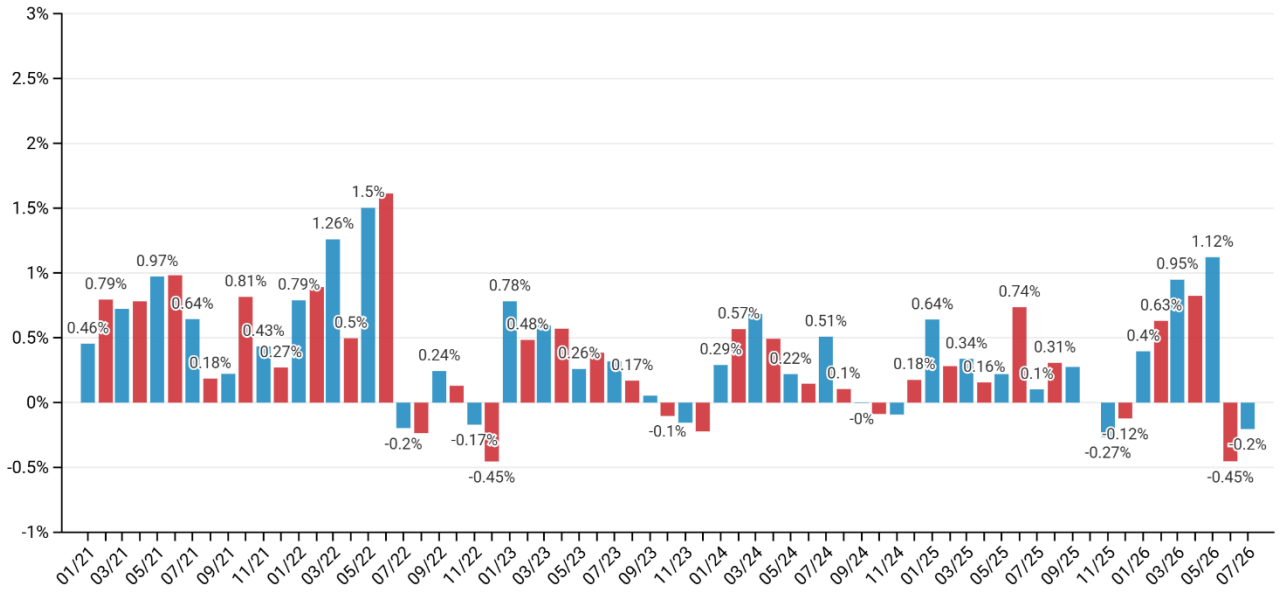


Source: BLS: CPI-U Data

Monthly inflation in the Midwest rose from -0.45% in June 2026 to -0.20% in July 2026—the second lowest monthly reading this year. The July figures in 2021 (0.64%), 2023 (0.32%), 2024 (0.51%), and 2025 (0.10%) all

came above this year's. July 2022 (-0.20%) ties with this month's reading. Nationwide, non-seasonally adjusted monthly inflation rose from -0.35% in June 2026 to -0.01% in July 2026—above the Midwest's monthly reading.

Monthly Inflation in the Midwest Region since January 2021



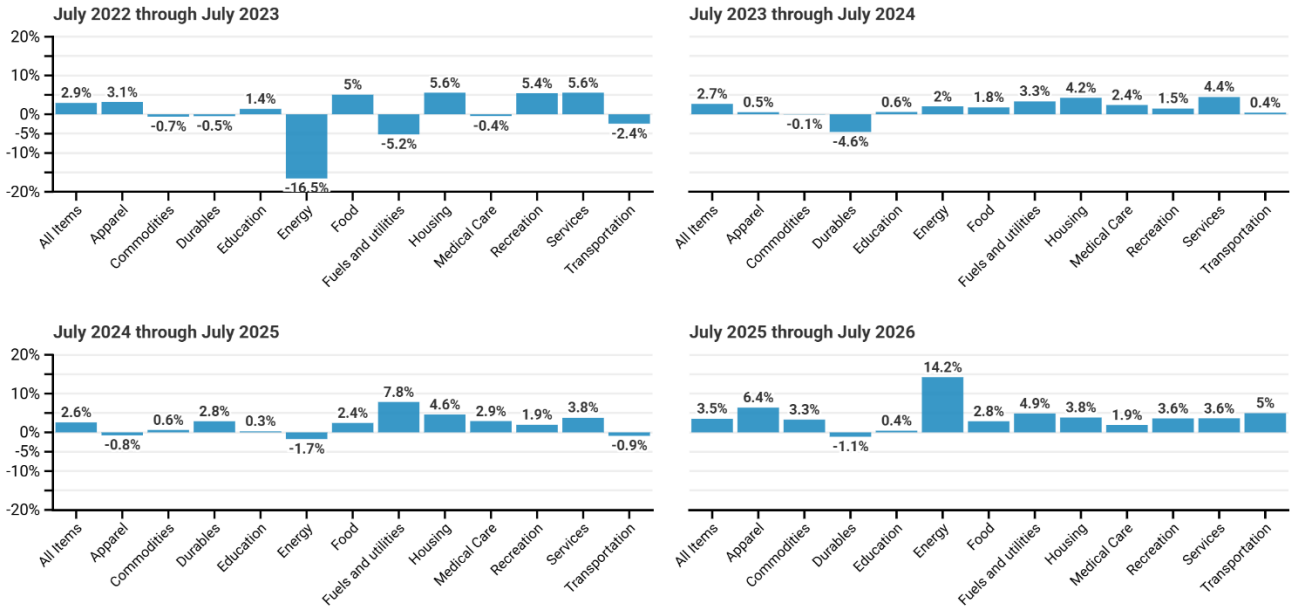
Source: BLS CPI-U Data

Inflation spread across nearly all major categories

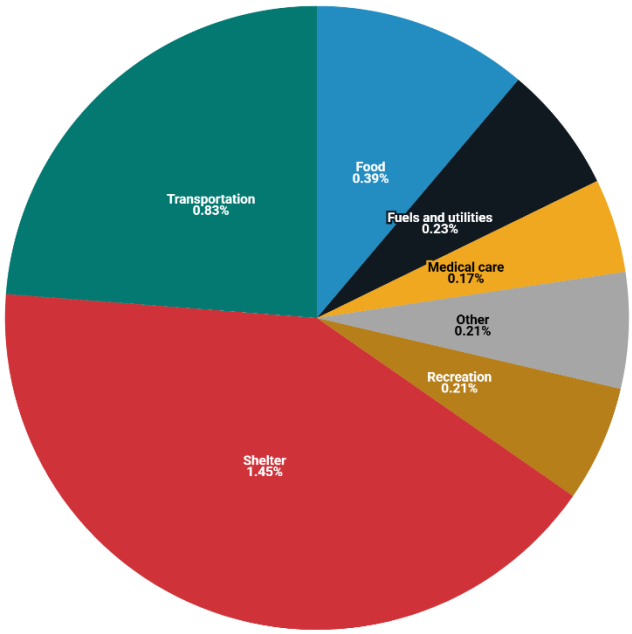
Between July 2025 and July 2026, nearly every major category posted year-over-year price increases in the Midwest. The largest gains occurred in energy (14.2%), apparel (6.4%), transportation (5.0%), housing (3.8%), recreation (3.6%), services (3.6%), and commodities (3.3%). Food (2.8%), medical care (1.9%), and education (0.4%) rose more moderately. Durable goods declined (-1.1%).

Price Changes in the Midwest over Previous Years

Source: BLS CPI-U Data



Midwest, Item Contribution to YoY Inflation (pp)



Although energy posted the sharpest year-over-year price increase, it was not the largest contributor to the region's overall inflation. Shelter added the most, accounting for 1.45 of the 3.5 percentage points in the Midwest's annual rate—roughly 40% of the total. Shelter carries this much burden due to being the single largest component of the Midwest consumer basket, at about 32% of household spending.[iii] Transportation contributed the second most at 0.82 percentage points, nearly a quarter of the annual rate. Transportation accounts for about 16% of household spending, the second largest category. The transportation component includes gasoline for household vehicles, so recent energy-related spikes affect this component the most. Food was the third largest major contributor at 0.39 percentage points.

Bottom Line

Inflation pressures eased in July 2026, with year-over-year price growth falling both nationally and in the Midwest. National inflation declined from 3.5% to 3.4%, while Midwest inflation fell from 3.8% to 3.5%. Monthly inflation in the Midwest rose from -0.45% in June to -0.20% in July, its second-lowest monthly reading of 2026—a figure that ties the July 2022 print and sits below every other July since 2021. July's disinflation is welcome, but one month does not make a trend. Both regional and national rates remain well above the Federal Reserve's 2% target with the Fed holding interest rates steady all year, leaving price stability far from restored.

Price increases still span nearly every major spending category. Energy led year-over-year gains in the Midwest by a wide margin at 14.2%, followed by apparel (6.4%), transportation (5.0%), and housing (3.8%). Recreation, services, and commodities each rose more than 3%, while food (2.8%) and medical care (1.9%) added further pressure on household budgets. Only durable goods (-1.1%) declined. The fastest-rising category, however, was shelter. Shelter contributed 1.45 of the 3.5 percentage points, or roughly 40%, because it is the single largest component of the consumer basket at about 32% of household spending. Transportation followed at 0.82 percentage points and is the second-largest category in the basket at about 16% of household spending. Because it also covers the gasoline households buy for their vehicles, recent energy-related spikes affect this component more than any other.

The cumulative effect of inflation since 2020 continues to weigh heavily on Iowa households. Consumer prices across the Midwest have risen 29.8% since January 2020, requiring the typical Iowa household to spend about $1,465 more per month to maintain the same standard of living. Since January 2020, that household has spent an additional $58,988 altogether just to maintain their standard of living. With price levels unlikely to reverse, the cumulative toll on Iowa household budgets will continue to grow.

---

[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 August 12, 2026 at 8:00am CST, https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html.

[iii] "Relative Importance and Weight Information for the Consumer Price Indexes Weight Information," U.S. Bureau of Labor Statistics, accessed August 12, 2026, https://www.bls.gov/cpi/tables/relative-importance/.