September 2026

Inflation in the Midwest

August 2026

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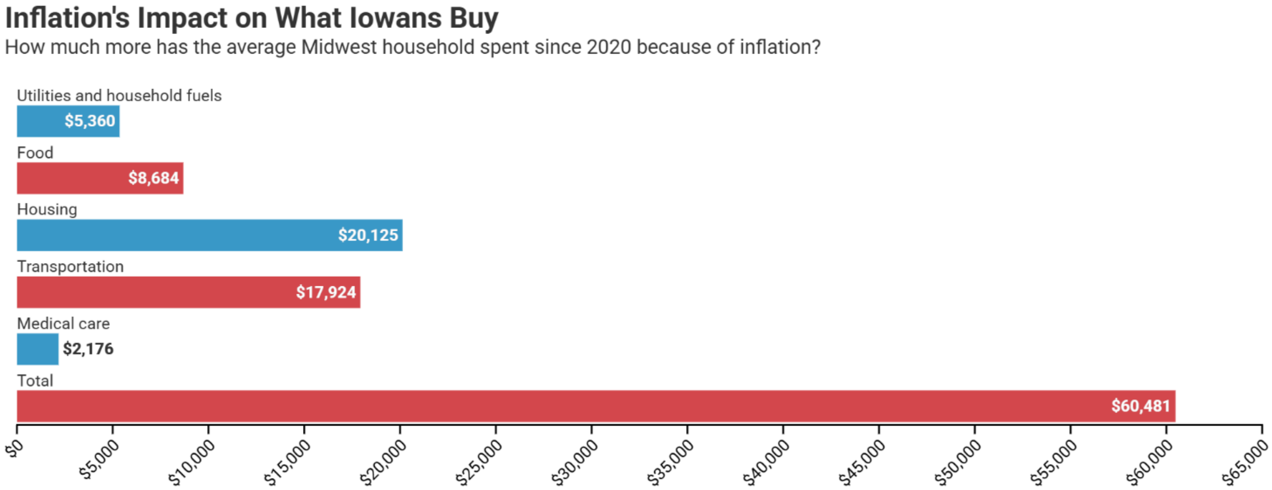
All the data referenced in this report come from the U.S. Bureau of Labor Statistics' Consumer Price Index (CPI) database. This source produces estimates of price levels neither for Iowa exclusively nor for any metropolitan area within Iowa; therefore, this report references data from the Midwest region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

- **Year-over-year inflation held flat at 3.4% nationally while rising from 3.5% to 3.6% in the Midwest in August 2026.**
    - The Midwest has now outpaced the national rate for seven consecutive months, since February 2026
- Consumer prices in the Midwest are up 30.3% since January 2020.
- **Because of inflation, the typical Iowa household has spent over $60,000 more since 2020 to maintain the same standard of living.**
    - The typical Iowa household is now spending about $1,492 more per month than in 2020, driven largely by higher housing, transportation, and food costs.
- Monthly inflation in the Midwest rose from -0.20% in July 2026 to 0.43% in August 2026—**the highest August monthly reading in the post-pandemic period**.
    - Nationwide, non-seasonally adjusted monthly inflation rose from -0.01% in July to 0.32% in August—below the Midwest's reading.
- **Nearly every major spending category increased year-over-year.** From August 2025 to August 2026—
    - Energy (16.5%) and transportation (5.8%) **rose at least 5%,**
    - Apparel (4.0%), recreation (3.8%), housing (3.7%), services (3.7%), and commodities (3.5%) **rose by at least 3%,**
    - Food (2.6%) and education (2.4%) **rose by at least 2%,**
    - Medical care rose by just 1.6% while durable goods declined by 1.3%**.**
- **Shelter contributed the most to Midwest year-over-year inflation, contributing 1.39 of the 3.6 percentage points or roughly 38%.**
    - Transportation, which includes gasoline for household vehicles, followed with a 0.96 percentage point contribution.

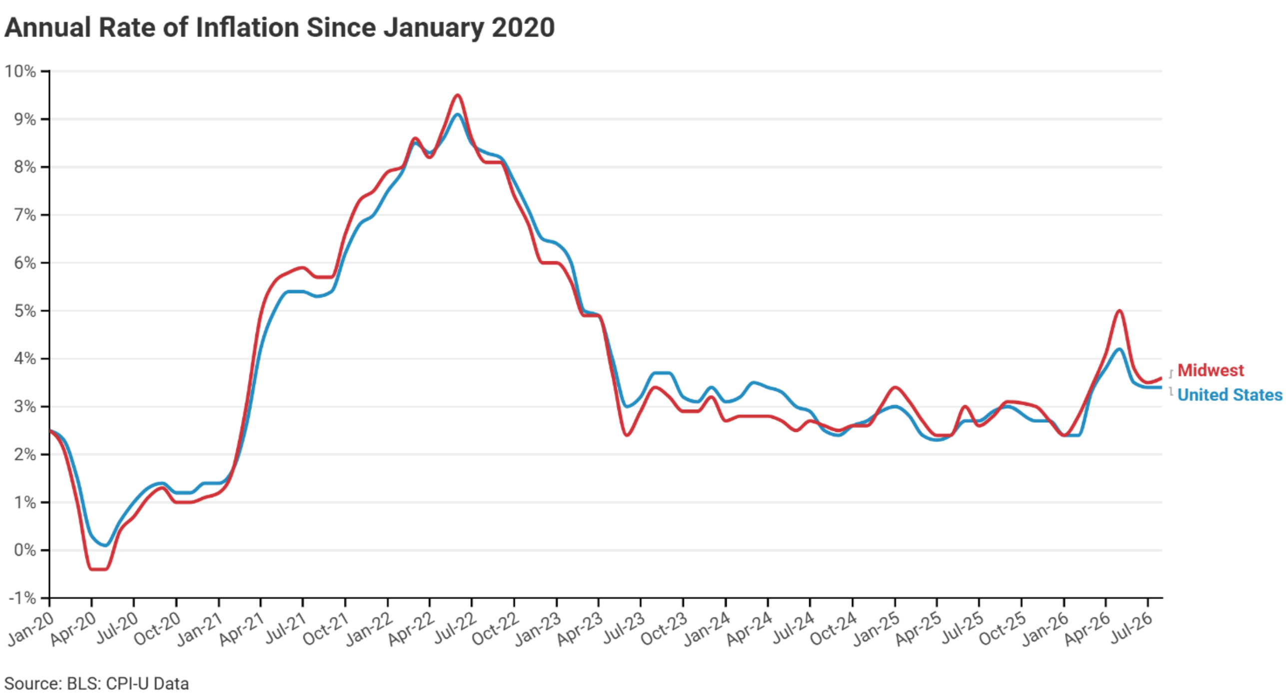
Iowa households lost over $60,000 to inflation since 2020

The typical Iowa household must now spend $1,492 per month more than it did in 2020 to maintain the same standard of living. That same household has spent an additional $60,480 in total since 2020 to maintain the same standard of living.[i] This nominal increase corresponds to a 30.3% rise in consumer prices. The cost increases have been led by a surge in housing, transportation, and food prices, which have risen by $545, $365, and $201 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.



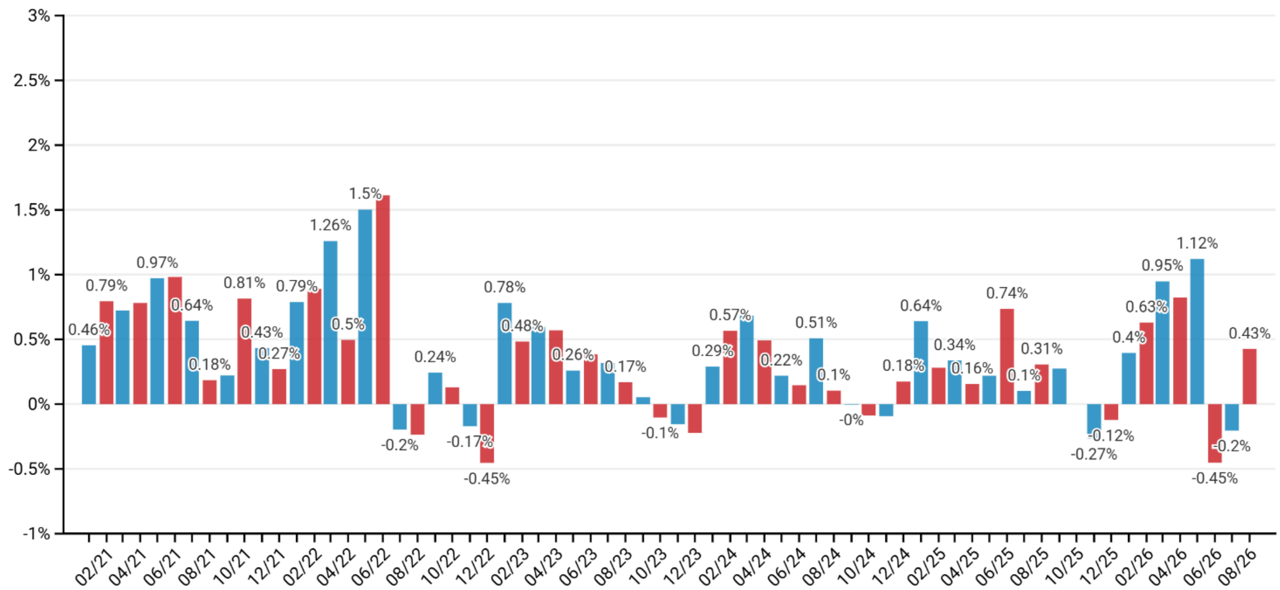
Midwest inflation remains above nation

Inflation pressures showed mixed signals in August across the United States and the Midwest. Year-over-year inflation nationally held flat at 3.4%, while the Midwest's rate ticked up from 3.5% to 3.6%. The Midwest has now outpaced the national rate for seven consecutive months, since February 2026. Both remain elevated, higher than nearly any point in 2024 or 2025, and each sits well above the Federal Reserve's 2% target. The Federal Reserve has held interest rates steady throughout 2026, but most investors now expect a 25-basis-point hike at its meeting next week.[ii]



Month-over-month inflation in the Midwest rose from -0.20% in July 2026 to 0.43% in August 2026—the highest August monthly reading in the post-pandemic period. The August figures in 2021 (0.18%), 2022 (-0.24%), 2023 (0.17%), 2024 (0.10%), and 2025 (0.31%) all came below this year's. Nationwide, non-seasonally adjusted monthly inflation rose from -0.01% in July 2026 to 0.32% in August 2026—below the Midwest's monthly reading.

Monthly Inflation in the Midwest Region since January 2021

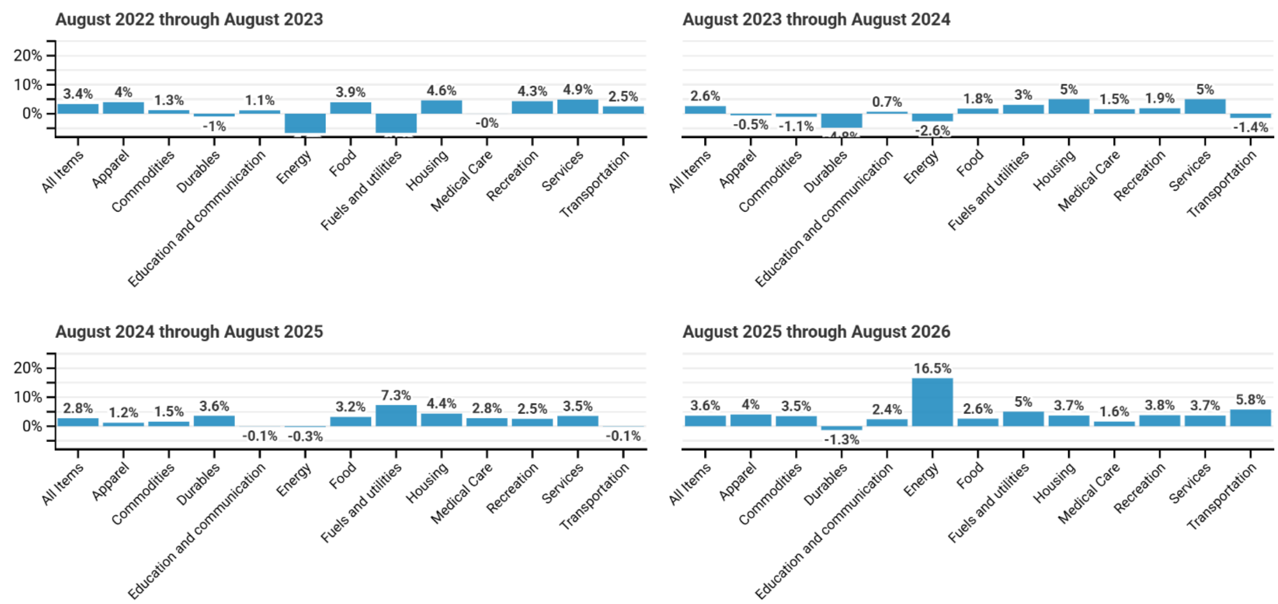


Source: BLS CPI-U Data

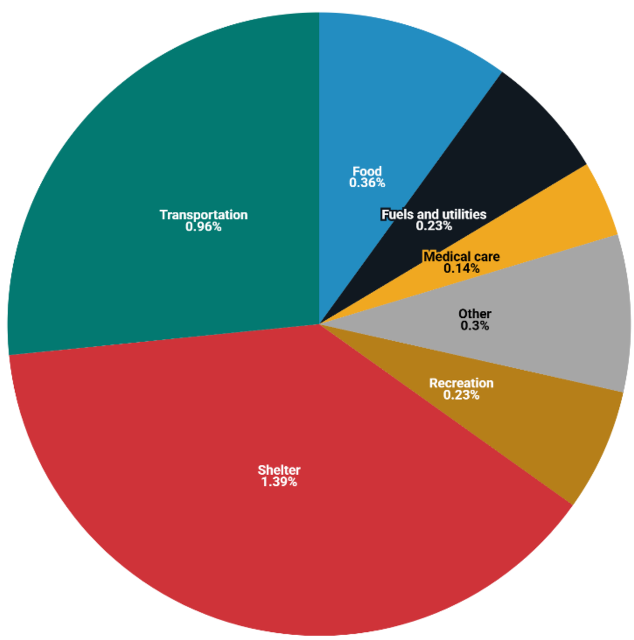
Inflation spread across nearly all major categories

Between August 2025 and August 2026, nearly every major category posted year-over-year price increases in the Midwest. The largest gains occurred in energy (16.5%), transportation (5.8%), apparel (4.0%), recreation (3.8%), housing (3.7%), services (3.7%), and commodities (3.5%). Food (2.6%), education (2.4%), and medical care (1.6%) rose more moderately. Durable goods declined (-1.3%).

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 1.39 of the 3.6 percentage points in the Midwest's annual rate—roughly 38% 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 0.96 percentage points, more than 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 0.36 percentage points.

Bottom Line

Inflation showed mixed signals in August 2026. National year-over-year price growth held flat at 3.4%, while the Midwest's rate ticked up from 3.5% to 3.6%. Monthly inflation in the Midwest surged from -0.20% in July to 0.43% in August—the highest August monthly reading in the post-pandemic period, above every comparable August since at least 2021. Nationwide monthly inflation also turned positive, rising from -0.01% to 0.32%, though still below the Midwest's reading. Both regional and national rates remain well above the Federal Reserve's 2% target, and most investors now expect a rate hike at the Fed's meeting next week.

Price increases still span nearly every major spending category. Energy led year-over-year gains in the Midwest by a wide margin at 16.5%, followed by transportation (5.8%), apparel (4.0%), and recreation (3.8%). Housing (3.7%), services (3.7%), and commodities (3.5%) each rose more than 3%, while food (2.6%), education (2.4%), and medical care (1.6%) added further pressure on household budgets. Only durable goods (-1.3%) declined. The largest driver of overall inflation, however, was shelter. Shelter contributed 1.39 of the 3.6 percentage points, or roughly 38%, because it is the single largest component of the consumer basket at about 32% of household spending. Transportation followed at 0.96 percentage points and is the second-largest category in the basket at about 16% of household spending. Recent energy-related spikes affect this component more than any other because it also covers the gasoline households buy for their vehicles.

The cumulative effect of inflation since 2020 continues to weigh heavily on Iowa households. Consumer prices across the Midwest have risen 30.3% since January 2020, requiring the typical Iowa household to spend about $1,492 more per month to maintain the same standard of living. Since January 2020, that household has spent an additional $60,480 altogether just to keep pace. With price levels unlikely to reverse, the cumulative toll on Iowa household budgets will continue to grow.

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[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 September 11, 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 September 11, 2026, https://www.bls.gov/cpi/tables/relative-importance/.