



May 2025

Inflation in the Midwest

April 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

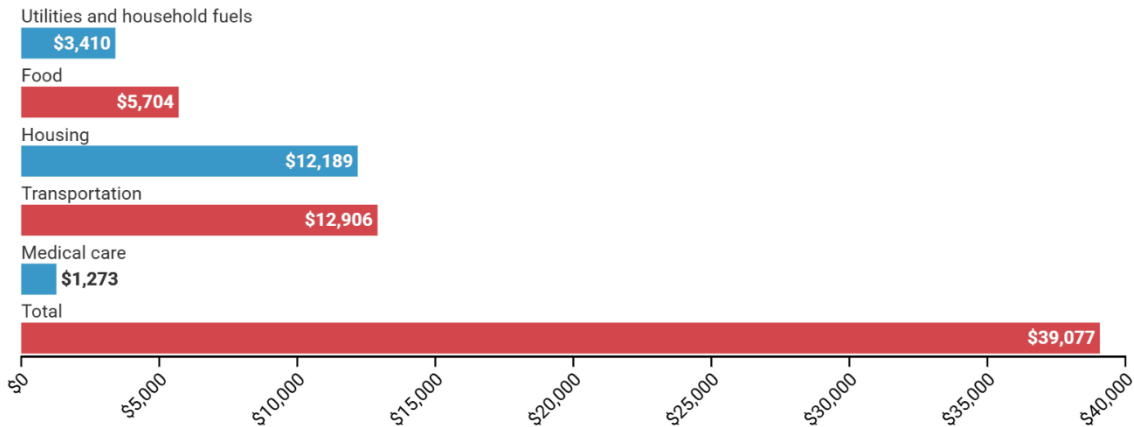
- **Year-over-year inflation fell sharply in April, dropping by 0.3% to 2.4% in the Midwest.** United States inflation also fell, hitting 2.3% (-0.1%) in April.
- **From March to April, prices across all consumer goods grew by 0.16% in the Midwest—or an annualized rate of 1.9%.**
- **Because of inflation, the average Iowa household has spent over \$39,000 more since 2020 to maintain the same standard of living.**
- In April, the average Iowa household spent about \$1,181 more due to inflation relative to 2020.
- **Since the pandemic, overall inflation in the Midwest is 23.78%—slightly lower than the United States' 24.35%.**
- Prices for fuels and utilities, housing, and services grew the most in the Midwest with 6.2%, 4.8%, and 3.9% year-over-year increases; only 4 of 12 major consumer categories, energy, transportation, apparel, and commodities, showed a year-over-year decline.
- Month-over-month price for transportation grew at 0.84%—up from -0.12% in March.

Iowa households lost \$39,000 to inflation since 2020

The typical Iowa household must now spend \$1,181 per month more than it did in 2020 to maintain the same standard of living. That same household has spent an additional \$39,077 in total since 2020 to maintain the same standard of living.¹ This amounts to a 24.1% rise in consumer prices. The cost increases have been led by a surge in housing, transportation, and food prices, which have risen by \$430, \$292, and \$169 per month, respectively. In April, transportation was the hottest item, growing in price by 0.84% over last month. Following that was medical care and utilities and household fuels, both of which grew 0.24% and 0.23% over the last month. Food declined by 0.23% over the last month. 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

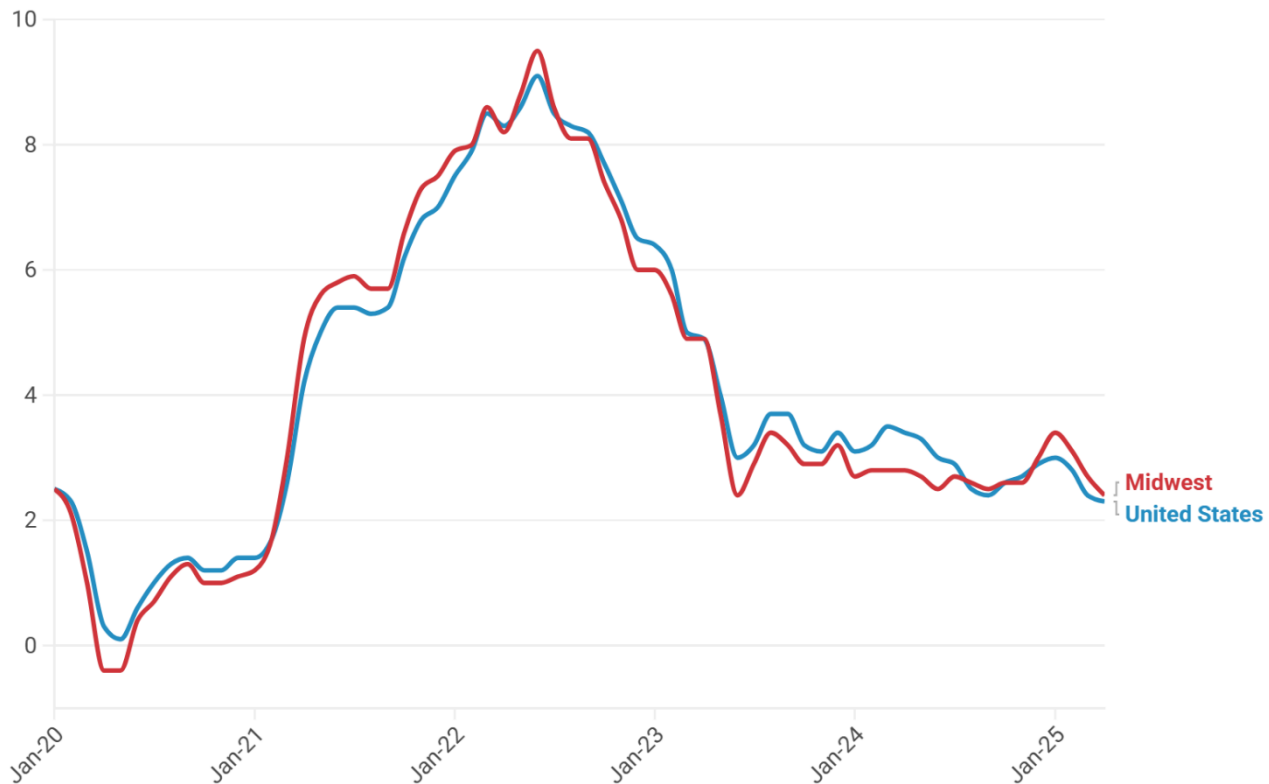
How much more has the average Midwest household spent since 2020 because of inflation?



Inflation remains higher in the Midwest than nationally

Year-over-year inflation for April came in hotter for the Midwest than nationally for the fifth month in a row. Nationally, year-over-year inflation fell to 2.3% (-0.1%), while in the Midwest inflation fell to 2.4% (-0.3%). This month's national print does, however, continue a slowdown in price growth. At this rate of disinflation, Midwest YoY inflation could drop below the U.S. next month. Investors remain mostly confident the Federal Reserve will not continue with a rate cut in June, viewing this month's inflation print as a temporary lull before tariffs begin to exert an upward pressure on prices.ⁱⁱ

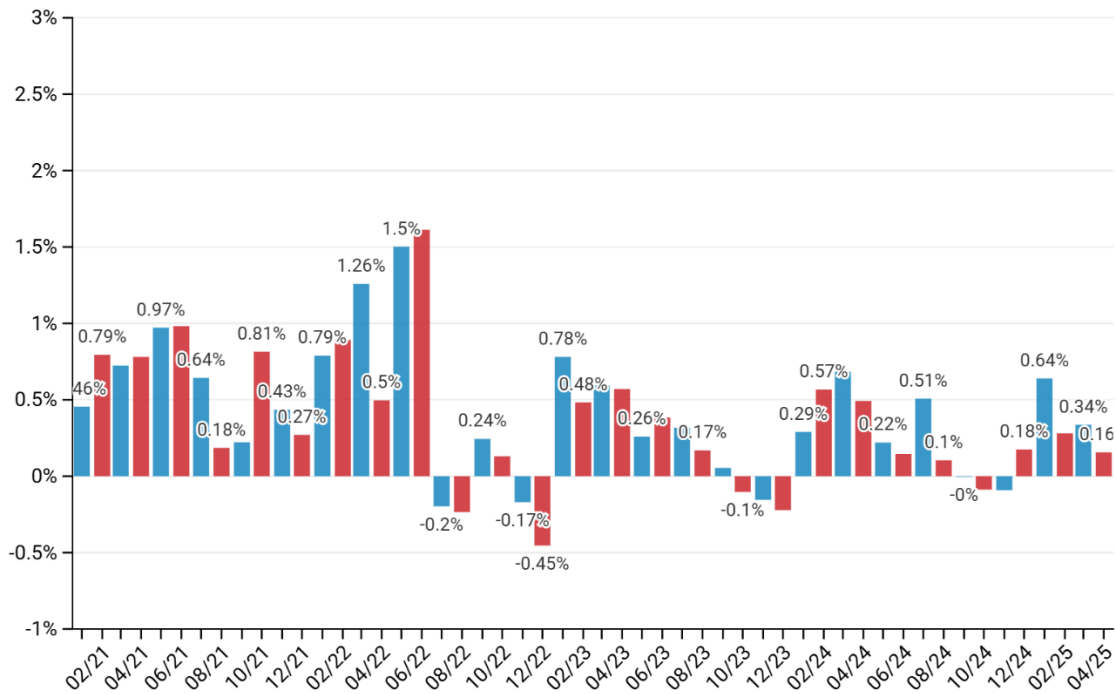
Annual Rate of Inflation Since January 2020



Source: BLS: CPI-U Data

Monthly inflation in the Midwest declined from 0.34% in March 2025 to 0.16% in April 2025 (-0.18%). This month's print recorded the lowest April monthly inflation estimate since the pandemic. It marks a stark improvement from 0.49% in April 2024, 0.57% in 2023, 0.5% in 2022, and 0.78% in 2021. The Midwest has maintained low inflation growth so far throughout 2025 but needs even lower disinflation to reach the Fed's 2% target by December 2025. Month-over-month inflation will need to average no more than 0.07% for the rest of the year to reach the 2% target. Nationwide month-over-month, non-seasonally adjusted inflation hit 0.31% in April, up from 0.22% in March.

Monthly Inflation in the Midwest Region since January 2021



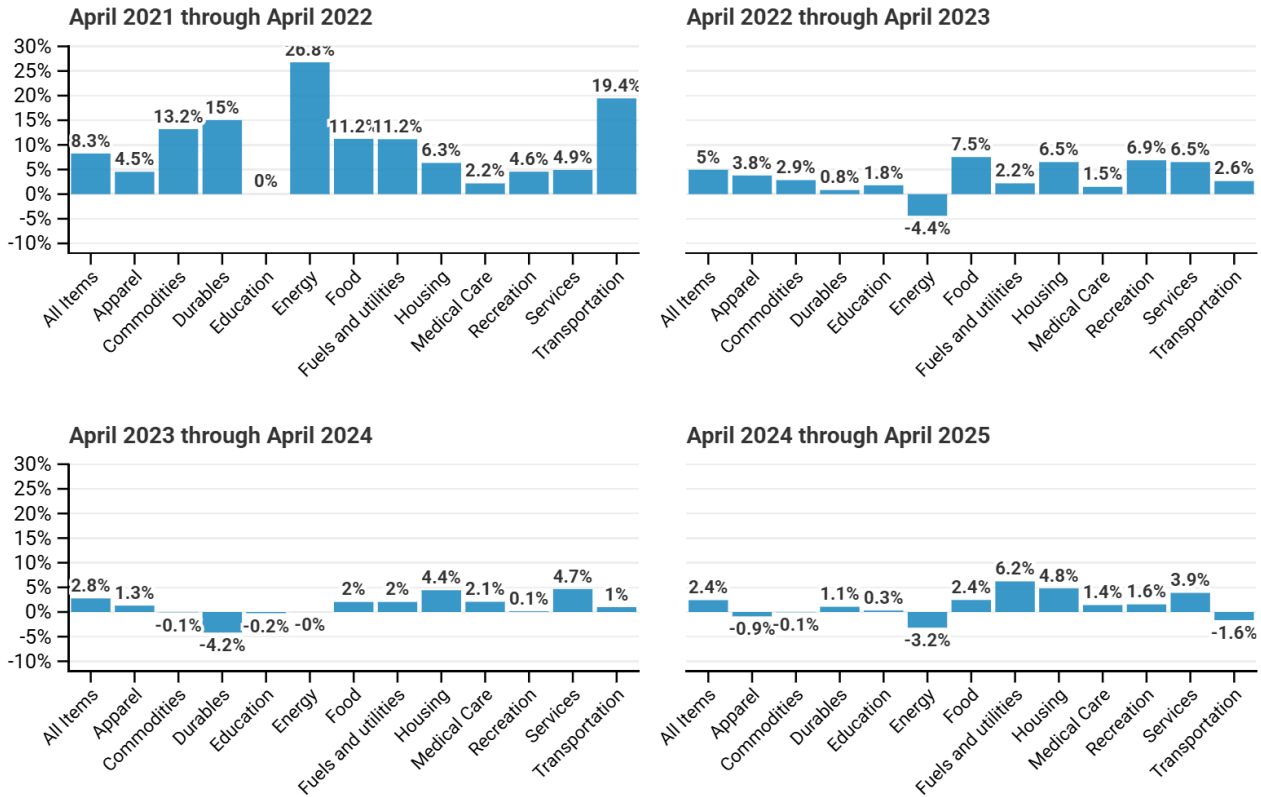
Source: BLS CPI-U Data

Fuels and utilities lead inflation growth

All but four key items grew year-over-year in April's print. Notably, the costs of fuels and utilities, housing, and services continue to be disproportionately impacted across the Midwest. They have increased by 6.2%, 4.8%, and 3.9% between April 2024 and April 2025. Year-over-year inflation for food (2.4%) also grew by over 2%. Energy (-3.2%), transportation (-1.6%), apparel (-0.9%), and commodities (-0.1%) costs fell. All other items not mentioned range between 0.3% and 1.6%. Despite the rapid slowdown in all-item inflation, 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 most 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

Despite rapid disinflation and April printing some of the lowest numbers in the last four years across the region, Midwest inflation remains elevated relative to the national average. Midwest and U.S. inflation stay stubbornly higher than the Fed's 2% target, which has not been seen since February 2021. Economists and investors also worry this could be the last month of significant disinflation amid tariff policies which would place an upward pressure on prices and keep economic uncertainty high.ⁱⁱⁱ However, it's uncertain when tariffs will begin significantly impacting prices as suppliers continue to use up their existing, pre-tariff inventories. Nonetheless, price growth in categories like housing and utilities continue to strain Midwest household budgets even without tariffs. While the region has made progress in cooling inflation, sustained declines will be needed to move closer to the Federal Reserve's long-term target. Tariffs could deter this goal in the short term.

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 May 13, 2025 at 8:00 am CST, <https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html>.

ⁱⁱⁱ “U.S. Inflation Mild Ahead of Expected Jump From Tariffs,” New York Times, May 13, 2025, <https://www.nytimes.com/2025/05/13/business/inflation-prices-tariffs.html>