



January 2025

Inflation in the Midwest

December 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

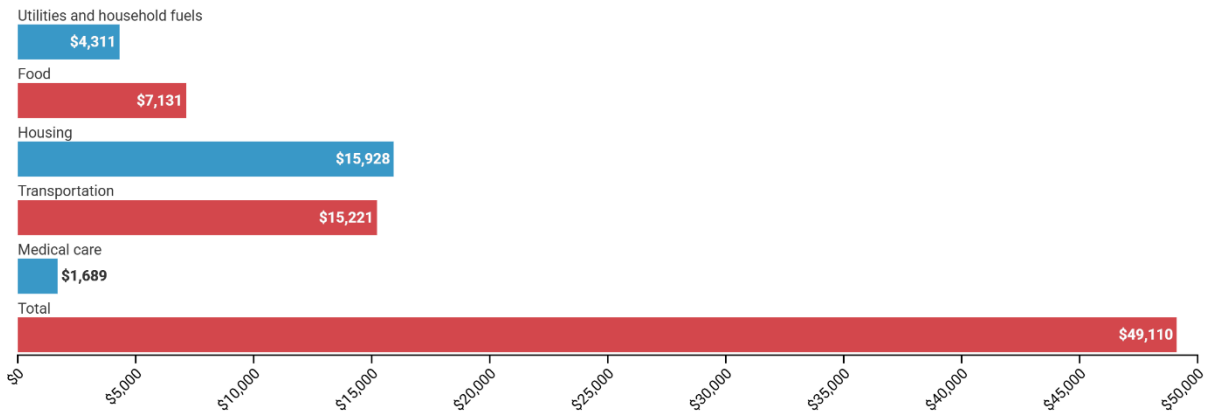
- **Annual inflation in the Midwest was 2.8% for 2025.**
 - Year-over-year Midwest inflation in December was 2.7%, down from 3.0% in November.
 - National inflation ended the year at 2.7%, unchanged from the previous month.
- **Consumer prices in the Midwest are up 25.3% since January 2020.**
- **Because of inflation, the average Iowa household has spent over \$49,000 more since 2020 to maintain the same standard of living.**
 - The typical Iowa household is now spending about \$1,258 more per month than in 2020, driven largely by higher housing, transportation, and food costs.
- Midwest monthly inflation edged up from -0.27% in November to -0.12% in December, marking the second deflationary reading for 2025.
- **December 2025 nearly marked the third consecutive month in which every major spending category increased year-over-year, though one category experienced deflation.** From December 2024 to December 2025,
 - Fuels and utilities (9.3%), housing (4.4%) and recreation (4.4%) **rose over 4%,**
 - Services (3.5%) **rose by at least 3%,**
 - Medical care (2.7%), energy (2.7%), food (2.6%), apparel (2.6%) and durables (2%) **rose by at least 2%,**
 - Commodities (1.4%) and education (0.7%) **rose under 2%.**
 - Transportation (-1.4%) **saw deflation.**

Iowa households lost over \$49,000 to inflation since 2020

The typical Iowa household must now spend \$1,258 per month more than it did in 2020 to maintain the same standard of living. That same household has spent an additional \$49,110 in total since 2020 to maintain the same standard of living.¹ This nominal increase corresponds to a 25.6% rise in consumer prices. The cost increases have been led by a surge in housing, transportation, and food prices, which have risen by \$481, \$265, and \$180 per month, respectively, for the typical Midwest household. 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

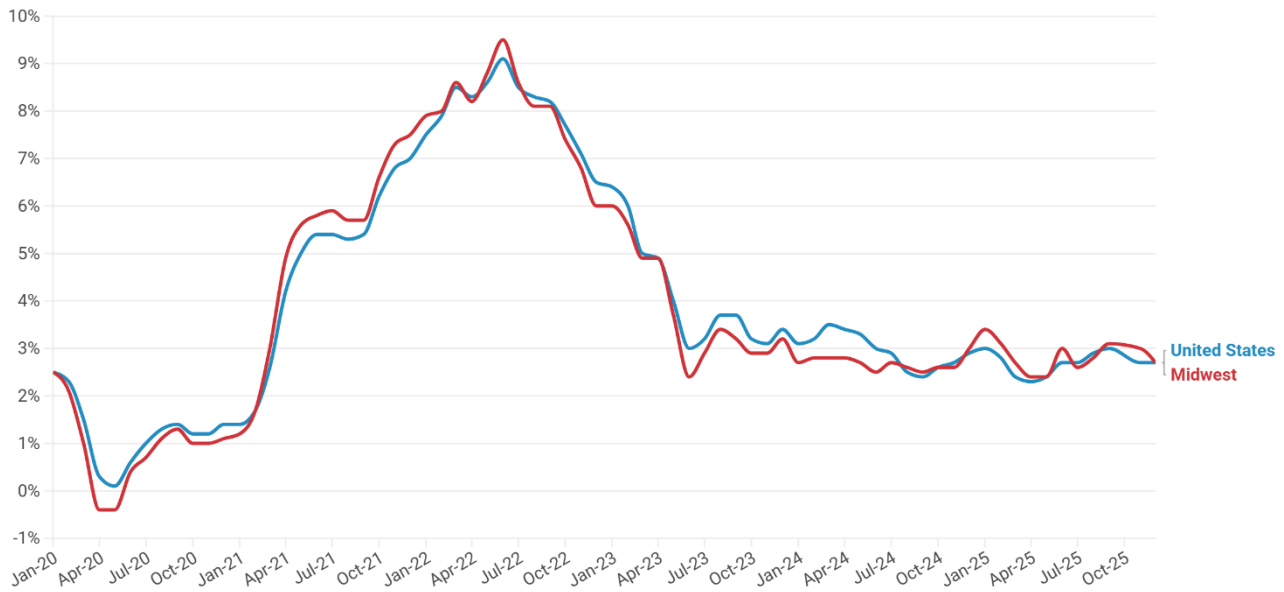
How much more has the average Midwest household spent since 2020 because of inflation?



Midwest inflation eases but remains above target

Inflation pressures eased in December, particularly in the Midwest. Year-over-year inflation in the region fell from 3.0% to 2.7%, while national inflation held steady at 2.7%. These readings reinforce the broader disinflation trend underway over the past year. Even so, inflation remains above the Federal Reserve's 2% target, indicating that price stability has not yet been fully restored. Against this backdrop, the Federal Reserve lowered the federal funds rate by 25 basis points at its December Federal Open Market Committee meeting. While the move reflects confidence that inflation is trending in the right direction, it also raises the risk that easing policy too quickly could slow or reverse recent progress, leaving inflation elevated for longer in both the U.S. and Midwest. Consistent with that concern, most investors now expect the Fed to pause at its January meeting, anticipating no additional rate cut following December's decision until at least mid-year.ⁱⁱ

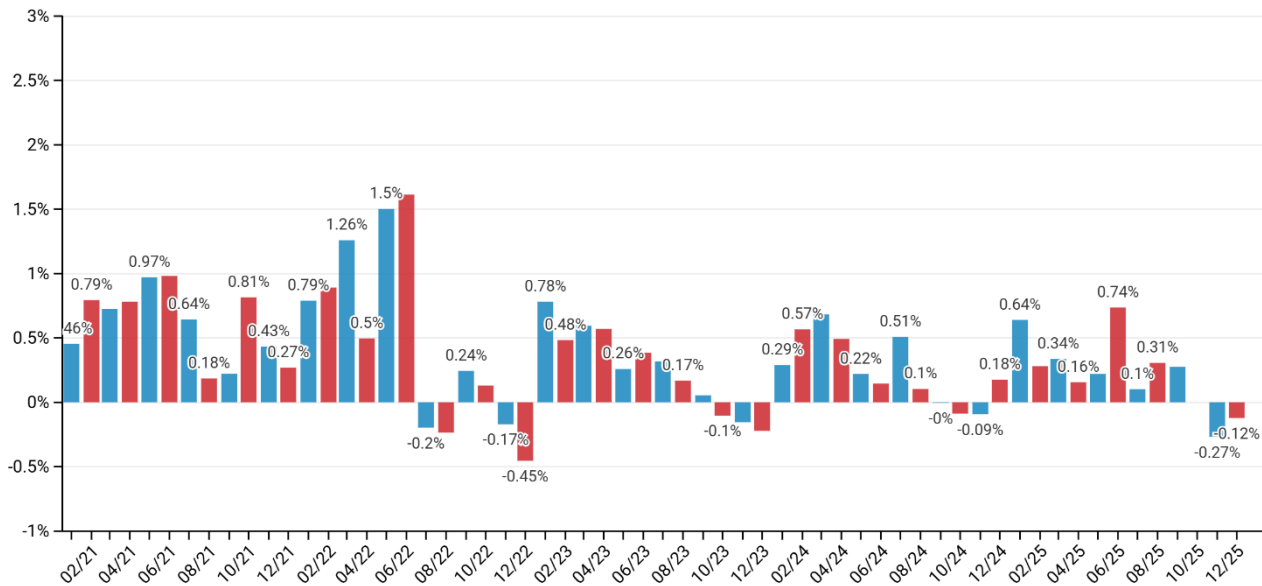
Annual Rate of Inflation Since January 2020



Source: BLS: CPI-U Data

Monthly inflation in the Midwest ticked up from -0.27% in November 2025 to -0.12% in December 2025 (+0.13%). December's monthly inflation marked the year's second deflationary month-over-month print and the third highest December reading in the post-pandemic period. In comparison, December 2025 falls right in the middle of December 2021 (0.27%), 2022 (-0.45%), 2023 (-0.22%) and 2024 (-0.18%). The Midwest's month-over-month inflation level also outperformed the national print. Nationwide, non-seasonally adjusted inflation rose from -0.21% in November to -0.02% in December, remaining above the Midwest's deflationary reading. This recent monthly data indicates that cost pressures eased more rapidly in the region at the end of 2025.

Monthly Inflation in the Midwest Region since January 2021



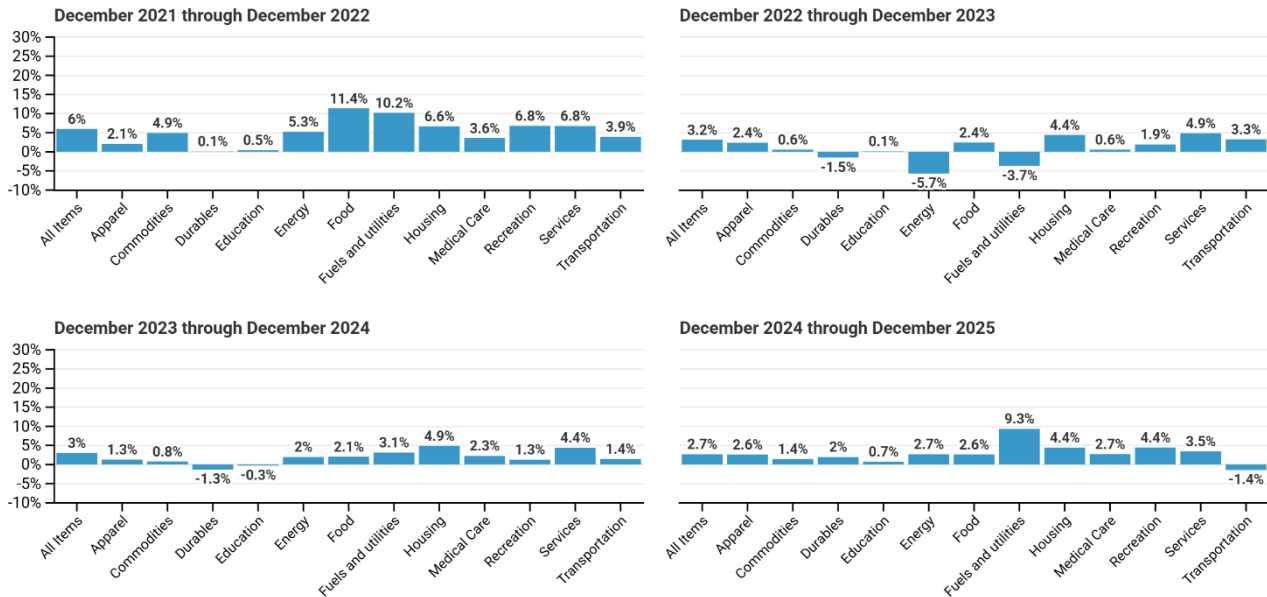
Source: BLS CPI-U Data

Inflation spread across all major categories

Every major category but one saw year-over-year price increases in the Midwest, particularly among fuels and utilities, recreation, and housing, which continue to be disproportionately impacted across the Midwest. They have increased by 9.3%, 4.4%, and 4.4% between December 2024 and December 2025. Year-over-year inflation for services (3.5%), energy (2.7%), medical care (2.7%), food (2.6%), apparel (2.6%) and durables (2%) also grew by at least 2%. Commodities (1.4%) and education (0.7%) grew under 2%. Only transportation (-1.4%) experienced deflation over the last year.

Price Changes in the Midwest over Previous Years

Source: BLS CPI-U Data



Bottom Line

Inflation pressures continued to ease across the Midwest in December, marking further progress toward price stabilization after several years of elevated cost growth. Annual inflation in the region ended 2025 at 2.7%, down from 3.0% in November. National inflation also ended the year at 2.7%, unchanged from November's year-over-year print. This narrowing gap could signal that Midwest price dynamics are aligning more closely with national trends after persistently running hotter in recent months. Monthly data reinforce that improvement. Midwest consumer prices declined by 0.12% in December, following a larger 0.27% decline in November.

Despite this progress, inflation remains broad-based. Nearly every major spending category posted year-over-year price increases in December. Fuels and utilities, housing, and recreation remain key pressure points, each rising more than 4% over the past year. Transportation was the lone category to experience deflation, providing limited relief to household budgets.

More importantly for Iowa families, slowing inflation does not undo the cumulative damage already done. Consumer prices in the Midwest are now more than 25% higher than in early 2020. As a result, the typical Iowa household must spend roughly \$1,258 more per month—over \$49,000 in total since 2020—just to maintain the same standard of living.

The Federal Reserve's decision to cut the federal funds rate by 25 basis points at its December meeting reflects growing confidence that inflation is trending lower. However, with inflation still above the Fed's 2% target and price pressures spread across most categories, the decision introduces risk. Easing policy too quickly could

slow further disinflation. Market expectations now point to a pause at the January meeting as policymakers evaluate whether recent monthly cooling of inflation is durable.

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