



August 2025

Inflation in the Midwest

July 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

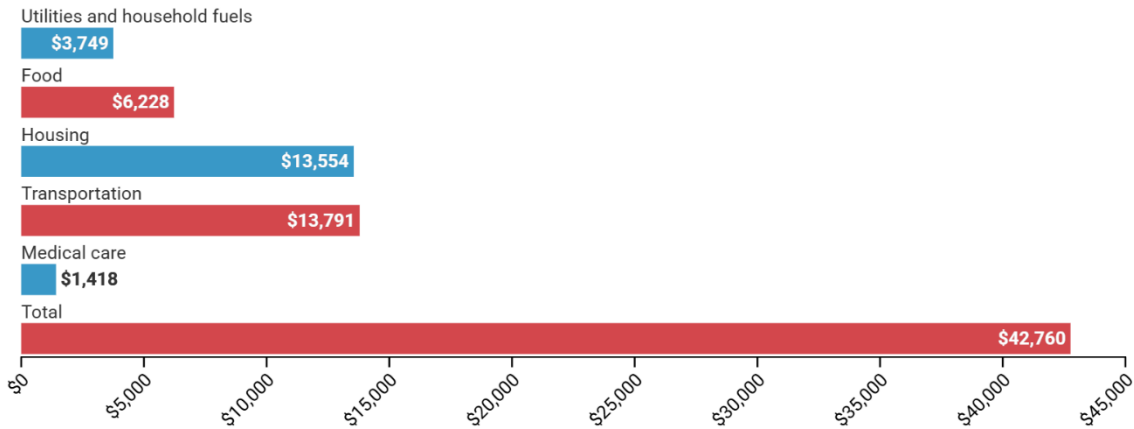
- **Because of inflation, the average Iowa household has spent over \$42,700 more since 2020 to maintain the same standard of living.**
- **In July, year-over-year inflation slowed in the Midwest to 2.6% from 3.0% in June.** United States inflation remained at 2.7%.
- **From July 2024 to July 2025 fuels and utilities saw the largest increase, rising by 7.8%.**
- Medical care prices rose 1.3% from January to July — the largest increase over the period since 2022.
- The average Iowa household spent about \$1,250 more in July 2025 due to inflation relative to January 2020.
- In the Midwest, prices for fuels and utilities, housing, and services saw the largest year-over-year increases at 7.8%, 4.6%, and 3.7%, respectively. Meanwhile, three of the twelve major consumer categories—apparel, energy, and transportation—experienced year-over-year declines.

Iowa households lost over \$42,700 to inflation since 2020

The typical Iowa household must now spend \$1,247 per month more than it did in 2020 to maintain the same standard of living. That same household has spent an additional \$42,700 in total since 2020 to maintain the same standard of living.¹ This amounts to a 25.37% rise in consumer prices. The cost increases have been led by a surge in housing, transportation, and food prices, which have risen by \$466, \$296, and \$175 per month, respectively. In July, medical care was the hottest item, growing in price by 0.30% over last month, followed by housing, which grew 0.28%. 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

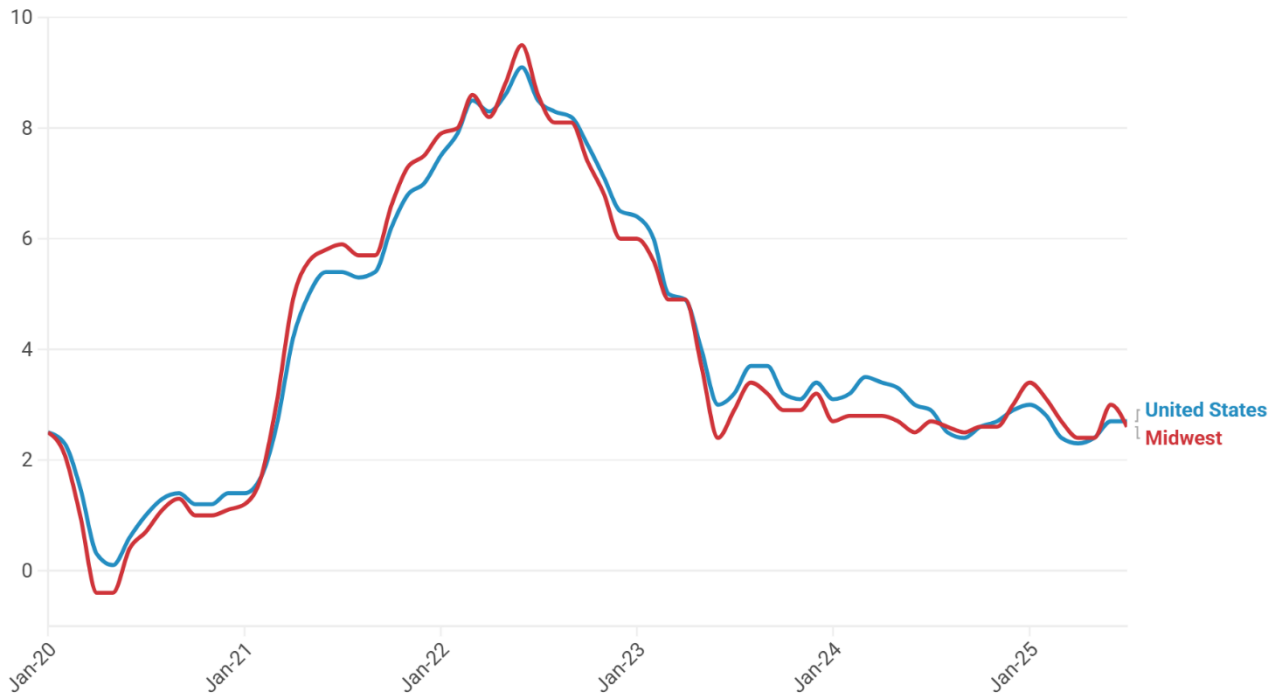
How much more has the average Midwest household spent since 2020 because of inflation?



Midwest's inflation decelerates relative to the nation

In July, year-over-year inflation in the Midwest reversed its course relative to the nation, falling from 3.0% to 2.6%. This print ends a seven-month streak of matching or exceeding the national rate. It also marks the first month since November 2024 where Midwest inflation has fallen below the national rate. Year-over-year inflation nationally remained at 2.7%. Despite tariff concerns over the past few months, persistently stable inflation has pushed investors to believe the Fed will likely ease their rates by 25 basis points in their next September meeting.ⁱⁱ

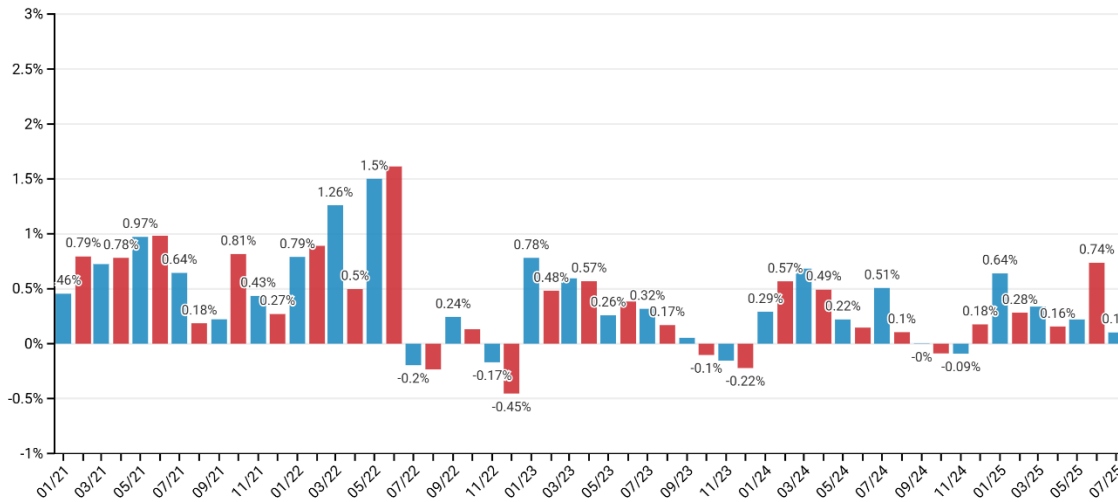
Annual Rate of Inflation Since January 2020



Source: BLS: CPI-U Data

Monthly inflation in the Midwest decreased from 0.74% in June 2025 to 0.10% in July 2025 (-0.64%). This indicates a return to the recent cooling trend that was experienced before the month of June. Nationwide, non-seasonally adjusted month-over-month inflation also decreased, hitting 0.15% in July compared to 0.34% in June.

Monthly Inflation in the Midwest Region since January 2021



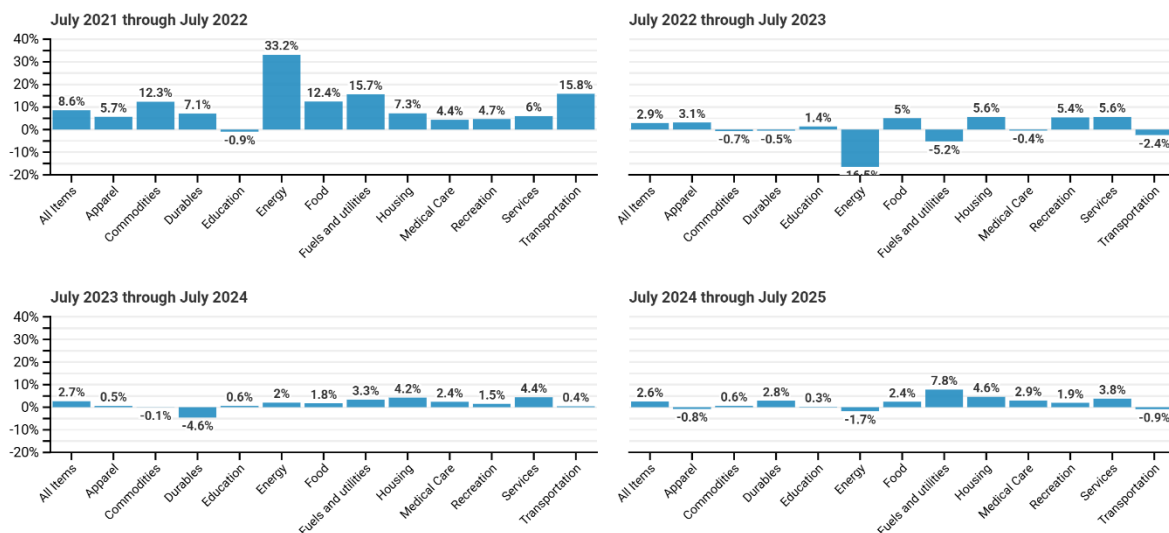
Source: BLS CPI-U Data

Fuels and utilities lead inflation growth

Although most major spending categories saw year-over-year price increases in the Midwest, some saw price increases slow. Nonetheless, this disinflation was not large enough to ease household burdens. The cost of fuels and utilities, housing, and services continue to be disproportionately impacted across the Midwest. They have increased by 7.8%, 4.6%, and 3.7% between July 2024 and July 2025. Year-over-year inflation for food (2.4%), medical care (2.9%), recreation (2.0%), and durables (2.8%) also grew by upwards of 2%. Transportation (-0.9%), energy (-1.7%), and apparel (-0.8%) fell.

Price Changes in the Midwest over Previous Years

Source: BLS CPI-U Data



Bottom Line

Midwest inflation has eased significantly since June. June's sharp increase was the largest since early 2023, but July's print moved back toward the Fed's 2% target inflation rate. Key categories like housing, utilities, and food remain persistently high, continuing to strain household budgets. The typical Iowa household is now spending an estimated \$1,247 more per month compared to 2020, having lost over \$42,700 cumulatively to inflation.

If investors are correct and the Federal Reserve does lower lending rates, further investment in the economy will potentially strengthen the labor market at the cost of raising inflation. Despite the disinflation in July's print, it will remain difficult for the Fed to hit its desired 2% target rate, especially if interest rates are cut. Without sustained and broad-based disinflation, it is still suspected that Midwest households will continue to feel the financial strain of elevated inflation rates through 2025.

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, 2025 at 11:42 am CST, <https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html>.