



**June 2025**

# **Inflation in the Midwest**

May 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

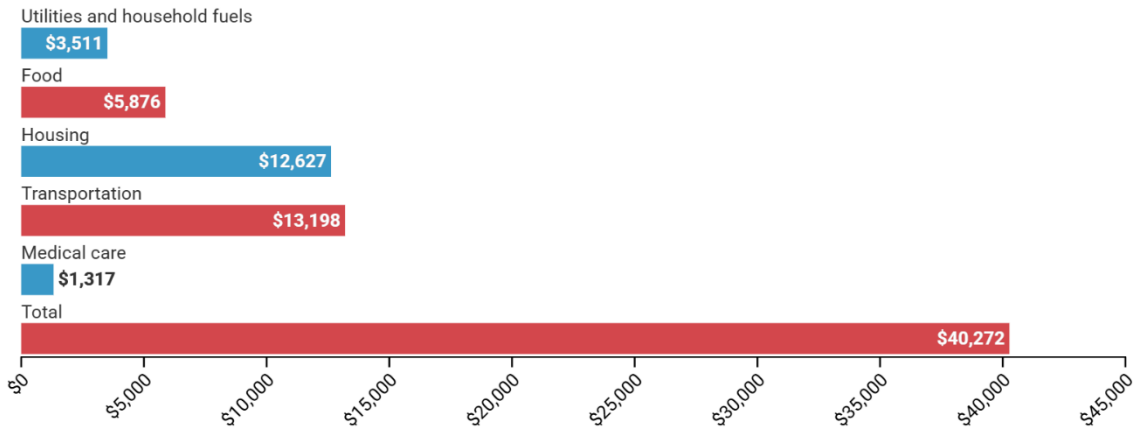
- **Because of inflation, the average Iowa household has spent over \$40,000 more since 2020 to maintain the same standard of living.**
- **Year-over-year inflation stayed flat at 2.4% in the Midwest.** United States inflation slightly grew, hitting 2.4% (+0.1%) in May.
- **From April to May, prices across all consumer goods grew by 0.22% in the Midwest—or an annualized rate of 2.6%.**
- In May, the average Iowa household spent about \$1,195 more due to inflation relative to 2020.
- **Since the pandemic, overall inflation in the Midwest is 24.3%—slightly lower than the United States' 24.5%.**
- Prices for fuels and utilities, housing, and services grew the most in the Midwest with 6.5%, 4.5%, and 3.8% year-over-year increases; only 3 of 12 major consumer categories, energy, transportation, and apparel showed a year-over-year decline.

## Iowa households lost \$40,000 to inflation since 2020

The typical Iowa household must now spend \$1,195 per month more than it did in 2020 to maintain the same standard of living. That same household has spent an additional \$40,272 in total since 2020 to maintain the same standard of living.<sup>1</sup> This amounts to a 24.3% rise in consumer prices. The cost increases have been led by a surge in housing, transportation, and food prices, which have risen by \$438, \$292, and \$172 per month, respectively. In May, utilities and household fuels was the hottest item, growing in price by 1.3% over last month. Following that was housing and food, which grew 0.41% and 0.31% over the last month, respectively. Education declined by 0.20% 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

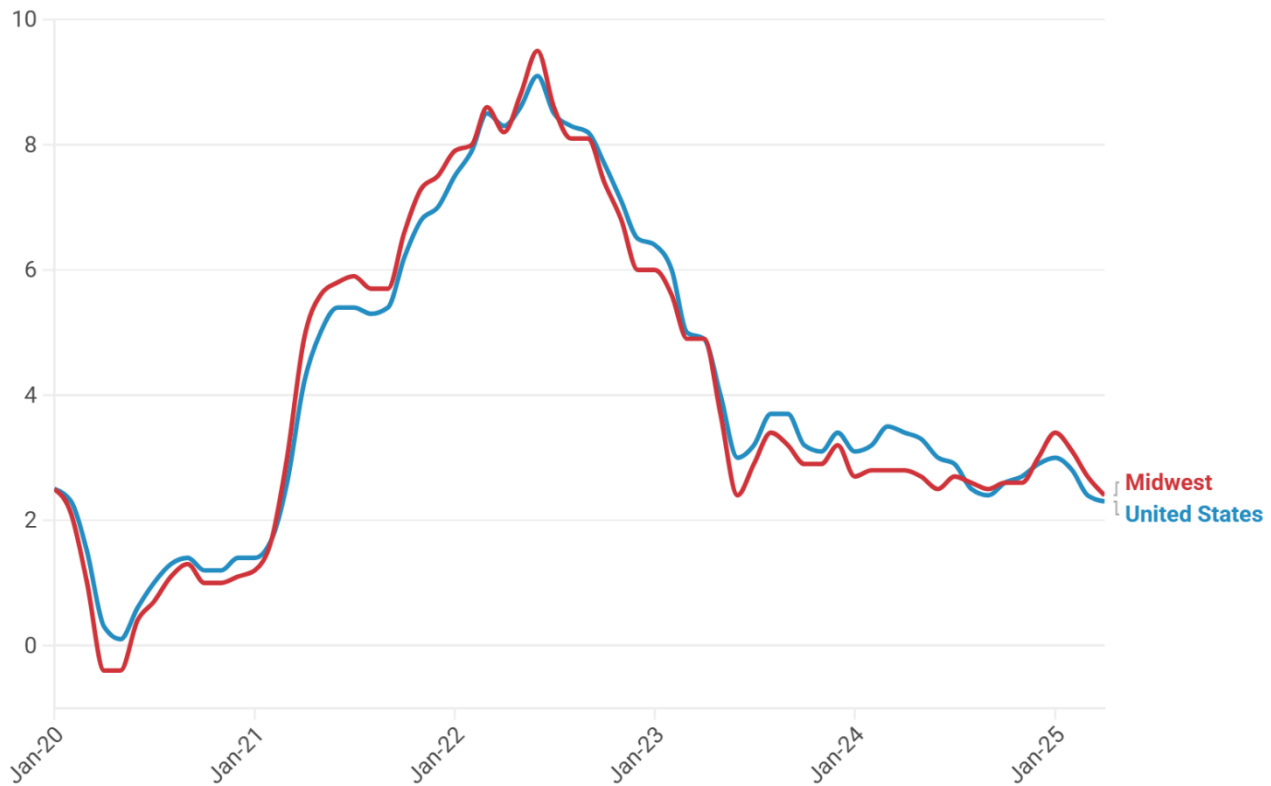
How much more has the average Midwest household spent since 2020 because of inflation?



## Midwest inflation stays flat; national below expectations

Year-over-year inflation for May was equal in the Midwest and nationally at 2.4%, marking the sixth consecutive month where the Midwest has experienced inflation at or above the national rate. National inflation ticked up slightly to 2.4% (+0.1%), while Midwest inflation remained flat. This national uptick is lower than analyst expectations of 0.2%.<sup>ii</sup> Despite no Midwest year-over-year change, this month's print continues a slowdown in price growth in the region. At this rate of disinflation, Midwest YoY inflation could drop below the U.S. next month. Investors remain confident the Federal Reserve will hold interest rates steady at next week's meeting with the ongoing expectation tariffs will soon begin to exert an upward pressure on prices.<sup>iii</sup>

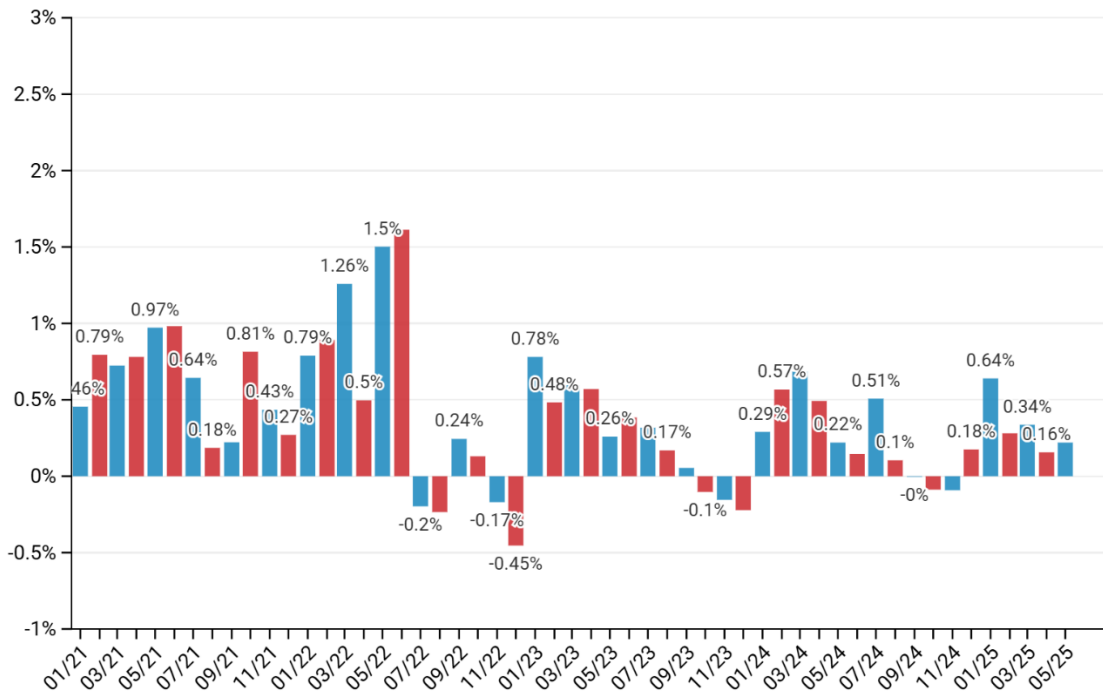
## Annual Rate of Inflation Since January 2020



Source: BLS: CPI-U Data

Monthly inflation in the Midwest rose from 0.16% in April 2025 to 0.22% in May 2025 (+0.06%). This month's print ties with May 2024 for the lowest May monthly inflation estimate since the pandemic. It marks a stark improvement from 0.26% in May 2023, 1.50% in 2022, and 0.97% 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 -0.05% for the rest of the year to reach the 2% target. Nationwide month-over-month, non-seasonally adjusted inflation hit 0.21% in May, down from 0.31% in April.

## Monthly Inflation in the Midwest Region since January 2021



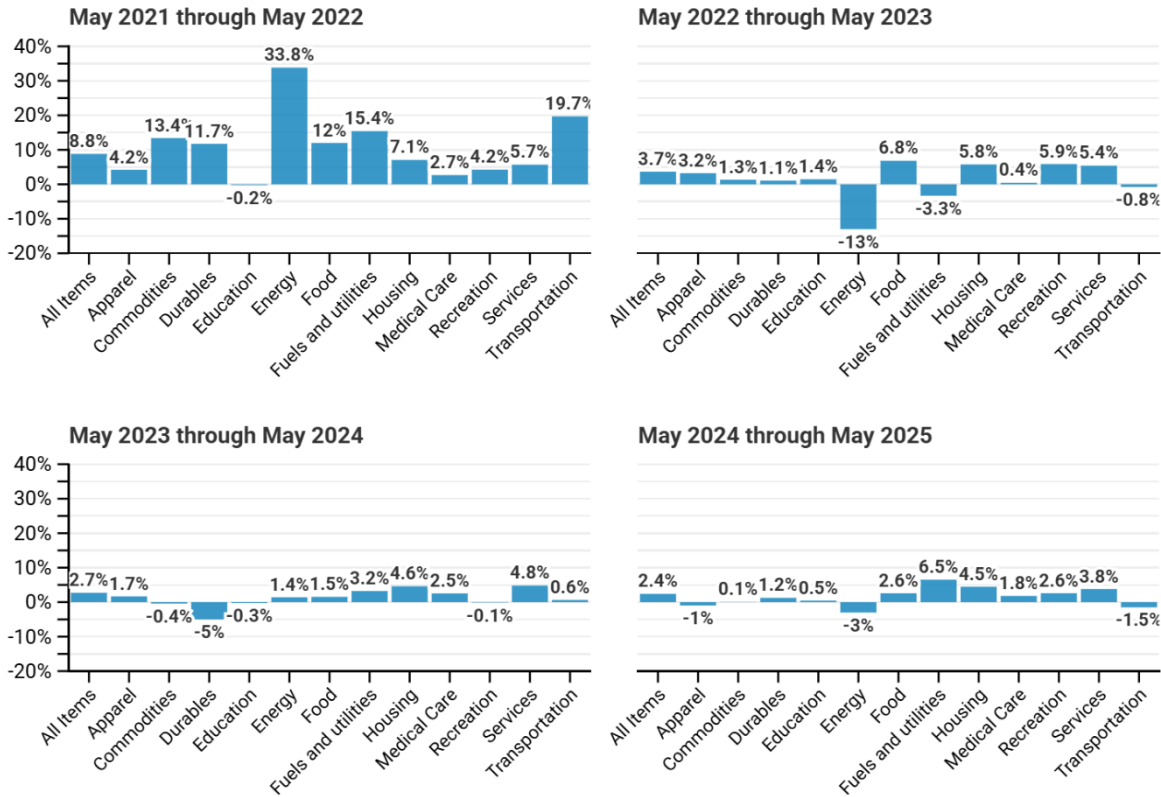
Source: BLS CPI-U Data

## Fuels and utilities lead inflation growth

All but three key items grew year-over-year in May's print. Notably, the costs of fuels and utilities, housing, and services continue to be disproportionately impacted across the Midwest. They have increased by 6.5%, 4.5%, and 3.8% between May 2024 and May 2025. Year-over-year inflation for food (2.6%) and recreation (2.6%) also grew by over 2%. Energy (-3%), transportation (-1.5%), and apparel (-1%) costs fell. All other items not mentioned range between 0.1% and 1.8%. While some key items remain hot, the rapid slowdown in others contributed to an overall decline in all-item inflation since last year. But if the Midwest hopes to reach the Federal Reserve's 2% goal, year-over-year inflation in those hottest items need to slow.

## Price Changes in the Midwest over Previous Years

Source: BLS CPI-U Data



## Bottom Line

Inflation in the Midwest continues to ease but remains stuck above the Federal Reserve’s 2% target. May marked the sixth straight month where inflation in the region was at or above the national rate. Price growth in key categories like housing, utilities, and food is still putting pressure on household budgets. While the pace of inflation has clearly slowed—May saw one of the smallest increases in recent years—Midwest households are still feeling the long-term effects. Since 2020, the typical Iowa household has spent over \$40,000 more just to maintain the same standard of living, with monthly costs up nearly \$1,200.

Cooling prices in areas like energy and transportation have helped, but they haven’t been enough to offset steady increases elsewhere. If tariffs lead to consumer price inflation as some economists expect, they could undo some of the recent progress and complicate the path back to price stability. Sustained, broad-based disinflation will be necessary to relieve pressure on households and bring inflation closer to the Fed’s long-term goal.

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<sup>i</sup> 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](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.

<sup>ii</sup> Jeb Graham, "CPI Inflation Is Very Tame Despite Trump Tariffs (Live Coverage)," Investor's Business Daily, June 11, 2025, <https://www.investors.com/news/economy/cpi-inflation-rate-may-trump-tariffs-federal-reserve-sp-500/>

<sup>iii</sup> CME Group, "FedWatch," accessed June 11, 2025 at 8:00 am CST, <https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html>.