

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
January 31, 2019

Contact:
Michael Adleman
Media Relations
Federal Reserve Bank of Chicago
312-322-2934

What is the Midwest Economy Index?

The index is a weighted average of 129 state and regional indicators encompassing the entirety of the five states in the Seventh Federal Reserve District (Illinois, Indiana, Iowa, Michigan, and Wisconsin). The index measures growth in nonfarm business activity based on indicators of four broad sectors of the Midwest economy: 1) manufacturing, 2) construction and mining, 3) services, and 4) consumer spending.

Why are there two index values?

Over long periods, growth in Midwest economic activity has historically tended to coincide with growth in national economic activity. However, over shorter periods of time this has not always been the case. To highlight such differences, we construct two separate index values. The MEI captures both national and regional factors driving Midwest growth, and the relative MEI provides a picture of Midwest growth conditions relative to those of the nation.

What do the index numbers mean?

A zero value for the MEI has been associated with the Midwest economy expanding at its historical trend (average) rate of growth; positive values with above-average growth (in standard deviation units); and negative values with below-average growth. A zero value for the relative MEI has been associated with the Midwest economy growing at a rate historically consistent with the growth of the national economy; positive values with above-average relative growth (in standard deviation units); and negative values with below-average relative growth.

The next MEI will be released:
March 29, 2019
8:30 am Eastern Time
7:30 am Central Time

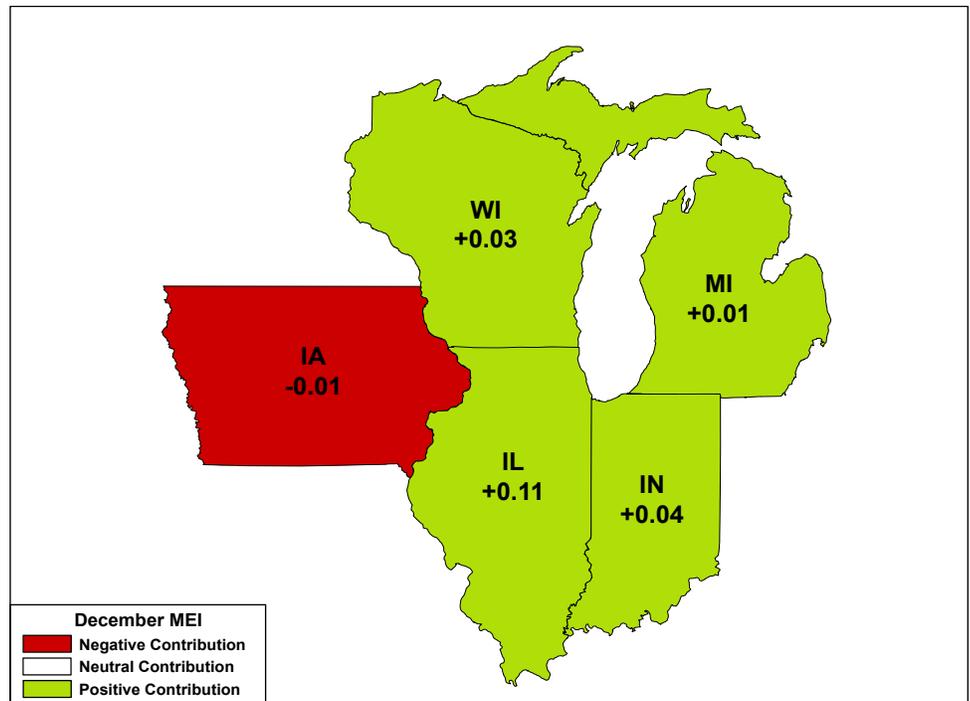
FEDERAL RESERVE BANK
OF CHICAGO

Midwest Economy Index

Index points to a slight increase in Midwest economic growth in December

The Midwest Economy Index (MEI) moved up slightly to +0.17 in December from +0.11 in November. Contributions to the December MEI from two of the four broad sectors of nonfarm business activity and three of the five Seventh Federal Reserve District states increased from November. The relative MEI rose to +0.13 in December from -0.20 in November. Contributions to the December relative MEI from all four sectors and all five states increased from November.

MEI and the Seventh Federal Reserve District States



Note: The map's shading summarizes the most recent contribution to growth in Midwest economic activity from each of the five states in the Seventh Federal Reserve District (Illinois, Indiana, Iowa, Michigan, and Wisconsin).

Sectoral and Geographic Contributions to the MEI and Relative MEI

December 2018

MEI	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	+0.12	0.00	-0.01	+0.02	+0.03	+0.01	+0.17
Construction	0.00	+0.03	0.00	-0.01	+0.01	0.00	+0.04
Services	0.00	0.00	-0.02	-0.01	+0.02	0.00	0.00
Consumer	-0.02	0.00	+0.01	0.00	-0.03	0.00	-0.04
	+0.11	+0.04	-0.01	+0.01	+0.03	+0.01	+0.17

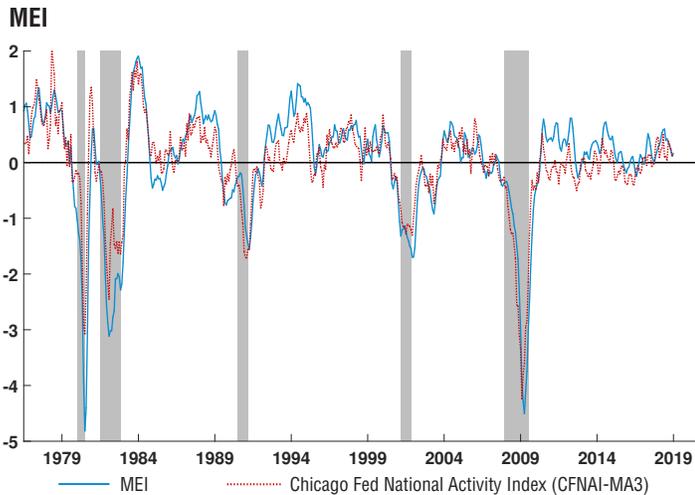
Relative MEI

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	+0.12	0.00	+0.07	+0.01	+0.01	0.00	+0.21
Construction	0.00	+0.05	0.00	-0.01	+0.01	0.00	+0.05
Services	-0.02	-0.02	-0.04	-0.06	-0.01	0.00	-0.14
Consumer	+0.01	+0.01	+0.01	0.00	-0.03	0.00	0.00
	+0.11	+0.04	+0.05	-0.06	-0.01	0.00	+0.13

Notes: The table summarizes the most recent contribution to the MEI and relative MEI by sector and geography. The sectoral (rows) and geographic (columns) contributions may not sum to the index in each time period because of rounding. Manufacturing and construction and mining are composed of production and employment indicators. Services contains only employment indicators, while consumer spending contains employment, unemployment, per capita personal income, and home and retail sales indicators.

The manufacturing sector's contribution to the MEI edged down to +0.17 in December from +0.21 in November. The pace of manufacturing activity decreased in Iowa, Michigan, and Wisconsin, but increased in Indiana and was unchanged in Illinois. Manufacturing's contribution to the relative MEI increased to +0.21 in December from +0.12 in November.

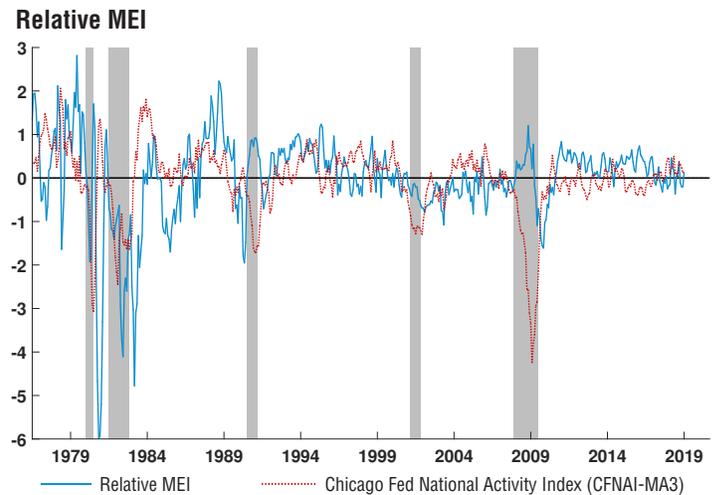
The construction and mining sector contributed +0.04 to the MEI in December, up from -0.02 in November. The pace of construction and mining activity was faster in Indiana, Michigan, and Wisconsin, but slower in Iowa and unchanged in Illinois. The contribution from construction and mining to the relative MEI edged up to +0.05 in December from +0.02 in November.



Notes: Both the MEI and the CFNAI-MA3 have been standardized to have a zero mean and are expressed in standard deviation units. MEI values greater than zero point to growth in Midwest economic activity above its historical trend, and CFNAI-MA3 values greater than zero point to growth in national economic activity above its historical trend; negative values suggest the opposite. Shading indicates official periods of recession as identified by the National Bureau of Economic Research.

The service sector made a neutral contribution to the MEI in December, up from -0.06 in November. The pace of service sector activity was up in Illinois, Iowa, Michigan, and Wisconsin, but down in Indiana. The service sector's contribution to the relative MEI moved up to -0.14 in December from -0.33 in November.

The contribution from consumer spending indicators to the MEI ticked down to -0.04 in December from -0.02 in November. Consumer spending indicators were, on balance, down in Illinois and Michigan, but steady in Indiana, Iowa, and Wisconsin. Consumer spending made a neutral contribution to the relative MEI in December, up slightly from -0.01 in November.



Notes: Both the relative MEI and the CFNAI-MA3 have been standardized to have a zero mean and are expressed in standard deviation units. The relative MEI is constructed from the standardized residuals from linear regressions of each of the 129 MEI indicators on the CFNAI-MA3. Relative MEI values greater than zero point to growth in Midwest economic activity that is higher on average than would historically be suggested based on the CFNAI-MA3; negative values suggest the opposite. Shading indicates official periods of recession as identified by the National Bureau of Economic Research.

2019 MEI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
March 29, 2019	January/February 2019
April 30, 2019	March 2019
May 31, 2019	April 2019
June 28, 2019	May 2019
July 31, 2019	June 2019
August 30, 2019	July 2019
September 30, 2019	August 2019
October 31, 2019	September 2019
December 2, 2019	October 2019
December 31, 2019	November 2019

MEI historical data and background information are available at chicagofed.org/mei.