
Chicago Fed Indexes of Economic Activity

The MEI

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Overview

- **The Chicago Fed National Activity Index (CFNAI)**
 - Measure of U.S. macroeconomic activity
- **The Midwest Economy Index (MEI)**
 - Measure of Seventh District nonfarm business activity
- **Real-time indicators of economic growth**
 - CFNAI highly correlated with real GDP growth
 - MEI similarly correlated with real GSP growth
- **The MEI can be used to**
 - Examine sectoral and geographic sources of growth
 - Make quarterly projections of annual GSP growth

What is the Midwest Economy Index?

- **Like the CFNAI, but for the Midwest**
- **Weighted average of 129 state/regional indicators of activity**
- **4 broad sectors of the Midwest economy:**
 - Manufacturing
 - Construction and mining
 - Services
 - Consumer spending
- **5 states of the 7th Federal Reserve District**
 - Illinois, Indiana, Iowa, Michigan, and Wisconsin

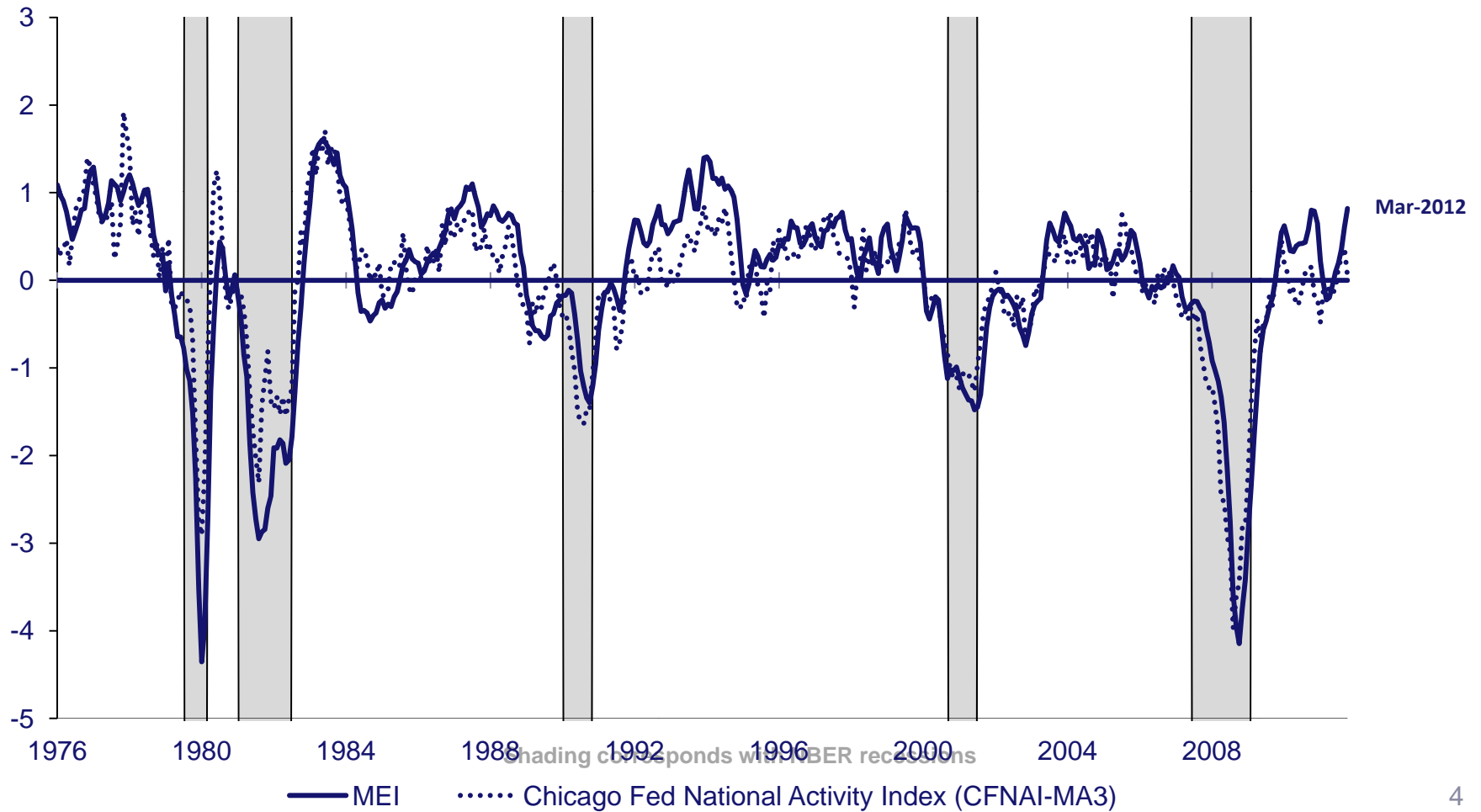
Interpreting the MEI

- **Smoothed monthly index (three-month moving average)**
- **Has a mean of zero and a standard deviation of 1**
- **Interprets Midwest growth relative to trend**
- **“Relative” MEI compares the MEI and CFNAI**
 - Midwest and U.S. trend growth not the same
 - Midwest and U.S. growth don't have same volatility
- **Relative MEI = 1 implies Midwest growth is**
 - 1 standard deviation greater than suggested by national growth

Regional Economic Activity

Regional and National Activity Indexes

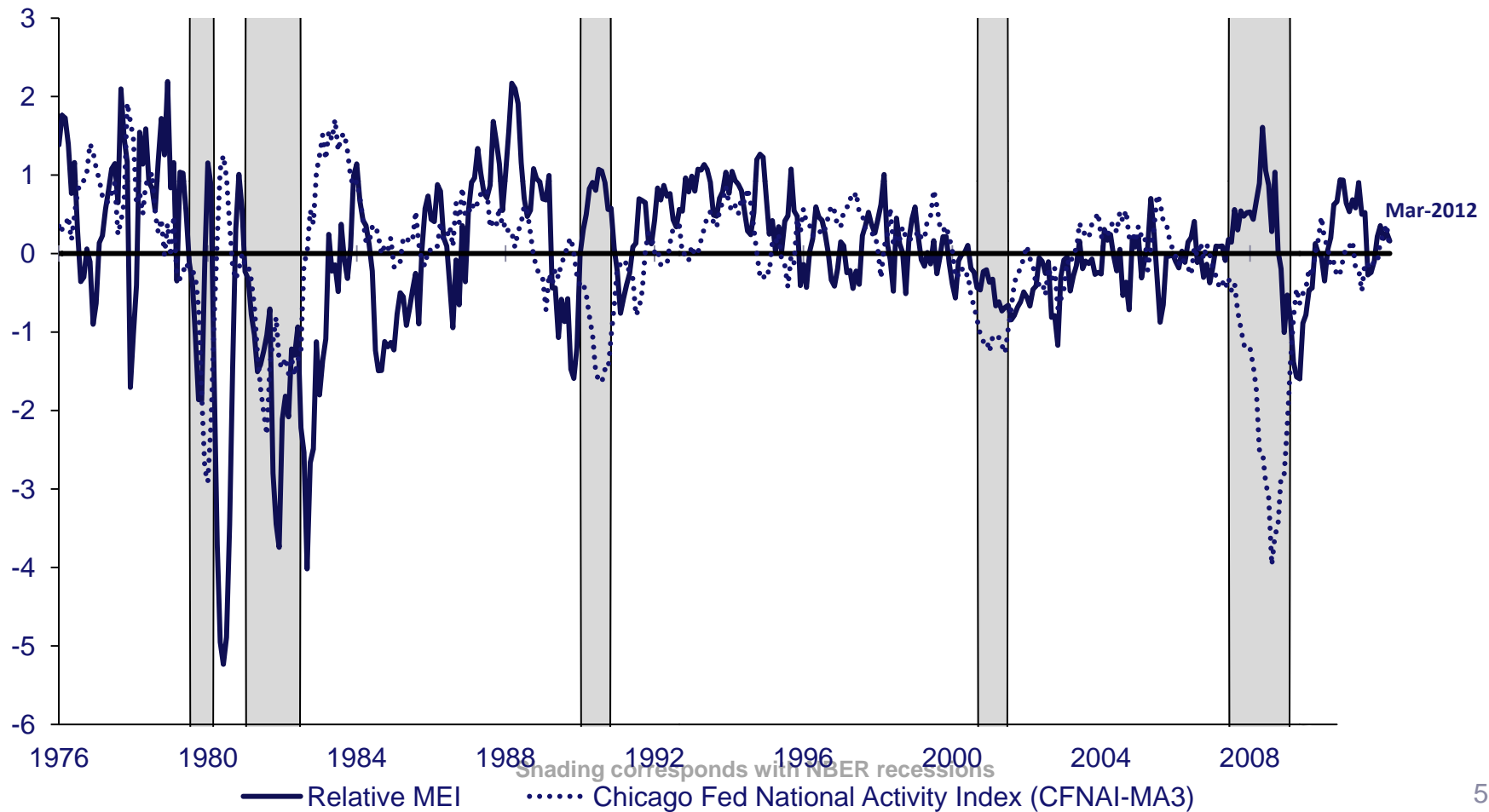
(standard deviation from trend, 3-month average)



Regional Economic Activity

Regional and National Activity Indexes

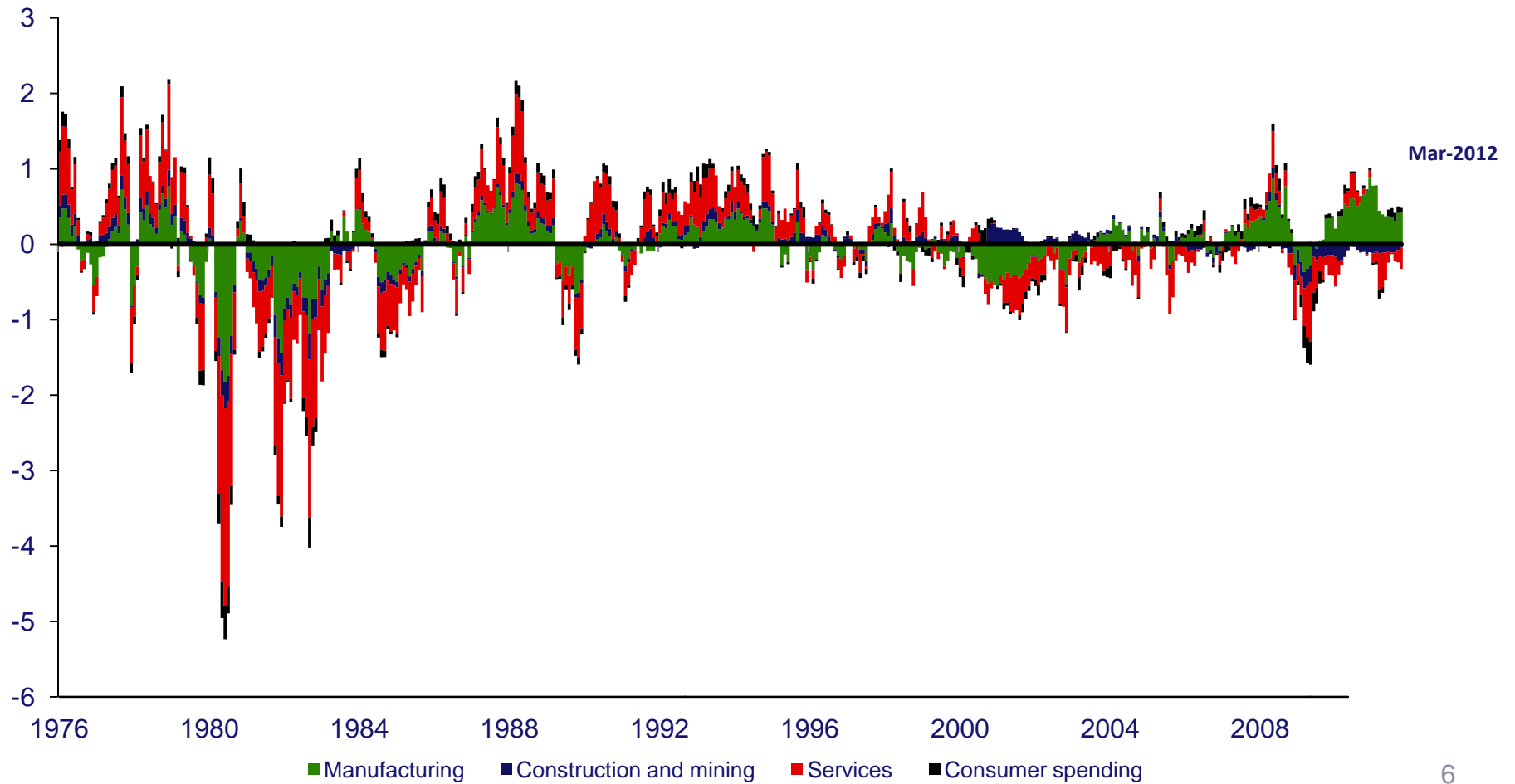
(standard deviation from trend, 3-month average)



Regional Economic Activity

Sector Contributions to the Relative MEI

(standard deviation from trend, 3-month average)



Regional Economic Activity

Geographic Contributions to the Relative MEI

(standard deviation from trend, 3-month average)

