

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
January 30, 2015

Contact:
Laura LaBarbera
Media Relations
Federal Reserve Bank of Chicago
312-322-2387

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 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 indicates that the Midwest economy is expanding at its historical trend rate of growth; positive values indicate above-average growth; and negative values indicate below-average growth. A zero value for the relative MEI indicates that the Midwest economy is growing at a rate historically consistent with the growth of the national economy; positive values indicate above-average relative growth; and negative values indicate below-average relative growth.

The next MEI will be released:
March 31, 2015
8:30 am Eastern Time
7:30 am Central Time

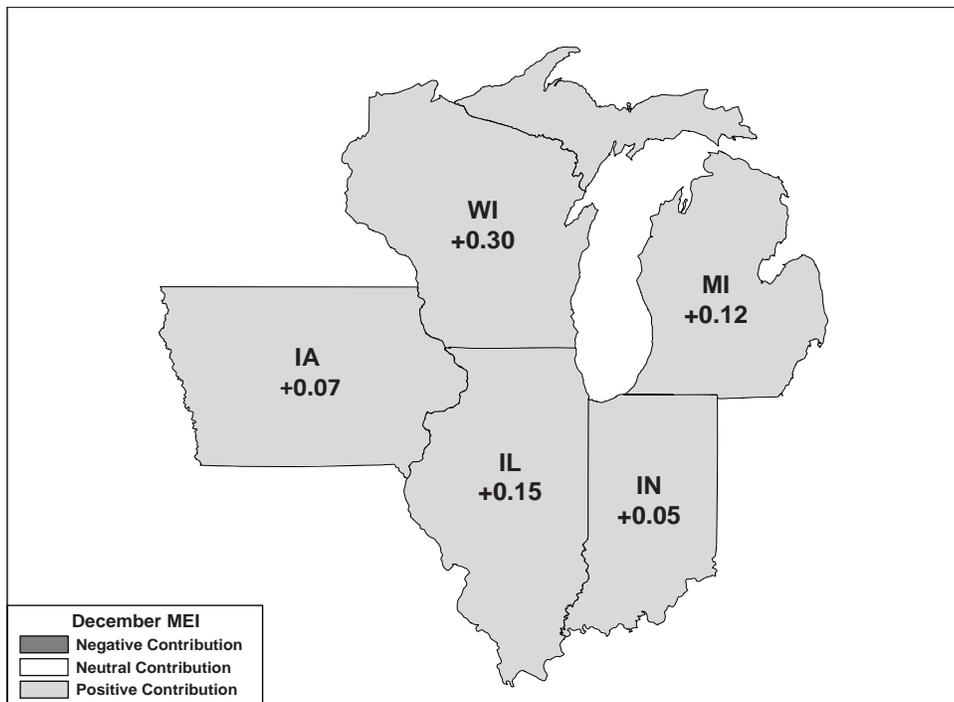
FEDERAL RESERVE BANK
OF CHICAGO

Midwest Economy Index

Index shows Midwest economic growth picked up in December

Led by continued strength in the manufacturing sector, the Midwest Economy Index (MEI) increased to +0.67 in December from +0.43 in November. However, the relative MEI fell to +0.21 in December from +0.70 in November. December's value for the relative MEI indicates that Midwest economic growth was somewhat higher than would typically be suggested by the growth rate of the national economy.

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 2014

| MEI | Illinois | Indiana | Iowa | Michigan | Wisconsin | Regional | |
|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Manufacturing | +0.12 | +0.03 | +0.05 | +0.08 | +0.17 | -0.01 | +0.43 |
| Construction | 0.00 | -0.02 | +0.01 | 0.00 | +0.04 | 0.00 | +0.02 |
| Services | +0.01 | +0.02 | -0.02 | 0.00 | +0.05 | 0.00 | +0.06 |
| Consumer | +0.03 | +0.02 | +0.02 | +0.04 | +0.04 | 0.00 | +0.16 |
| | +0.15 | +0.05 | +0.07 | +0.12 | +0.30 | -0.01 | +0.67 |

Relative MEI

| Relative MEI | Illinois | Indiana | Iowa | Michigan | Wisconsin | Regional | |
|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Manufacturing | +0.08 | +0.01 | -0.06 | +0.03 | +0.13 | +0.02 | +0.21 |
| Construction | 0.00 | -0.04 | +0.01 | -0.01 | +0.04 | 0.00 | +0.01 |
| Services | -0.06 | -0.06 | -0.05 | -0.03 | +0.05 | 0.00 | -0.15 |
| Consumer | +0.03 | +0.01 | +0.03 | +0.01 | +0.06 | +0.01 | +0.15 |
| | +0.05 | -0.07 | -0.07 | +0.01 | +0.27 | +0.03 | +0.21 |

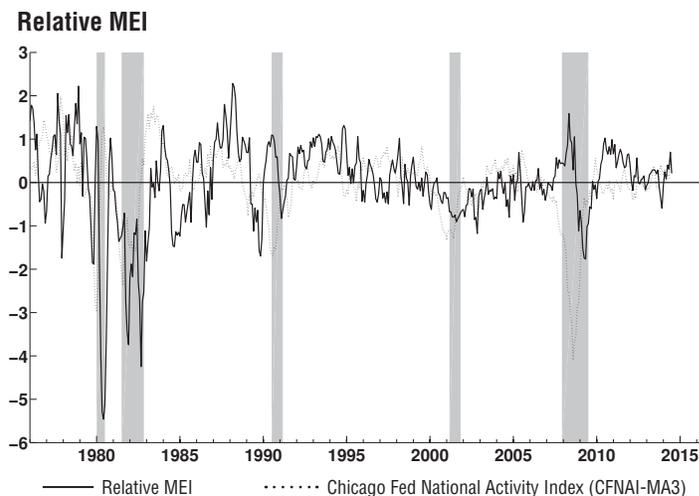
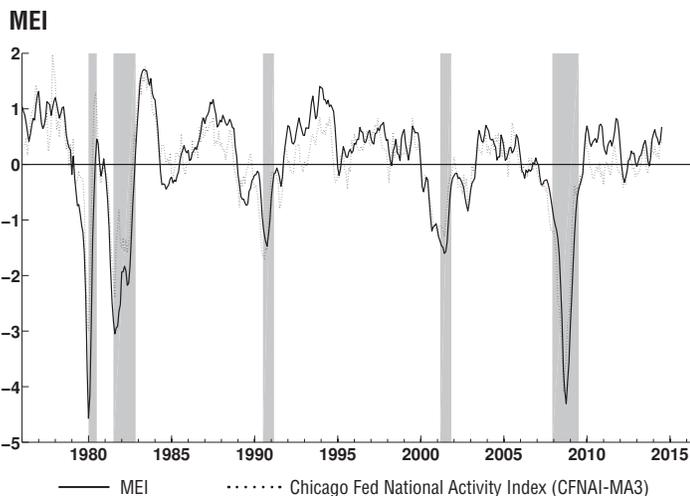
Notes: The table summarizes the most recent contribution to the MEI and relative MEI by sector and geography. The sectoral (rows) and geographic (columns) contributions may not sum to the index in each time period because of rounding. Manufacturing and construction and mining are composed of production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

Manufacturing's contribution to the MEI increased to +0.43 in December from +0.32 in November. The pace of manufacturing activity increased in Indiana, Iowa, and Michigan, but decreased slightly in Illinois and Wisconsin. Manufacturing's contribution to the relative MEI fell to +0.21 in December from +0.57 in November.

The construction and mining sector contributed +0.02 to the MEI in December, up from a neutral contribution in November. The pace of construction and mining activity was higher in Illinois and Wisconsin, but lower in Iowa and Michigan and unchanged in Indiana. Construction and mining's contribution to the relative MEI ticked down to +0.01 in December from +0.02 in November.

The service sector contributed +0.06 to the MEI in December, up from -0.01 in November. The pace of service sector activity increased in Indiana, Iowa, Michigan, and Wisconsin, but decreased in Illinois. The service sector's contribution to the relative MEI moved down to -0.15 in December from -0.04 in November.

The contribution from consumer spending indicators to the MEI edged up to +0.16 in December from +0.12 in November. Consumer spending indicators were, on balance, up in Illinois, Iowa, and Michigan, but steady in Indiana and Wisconsin. Consumer spending's contribution to the relative MEI ticked up to +0.15 in December from +0.14 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 indicate growth in Midwest economic activity above its historical trend, and CFNAI-MA3 values greater than zero indicate growth in national economic activity above its historical trend; negative values indicate the opposite. Shading indicates official periods of recession as identified by the National Bureau of Economic Research.

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 indicate that growth in Midwest economic activity is higher on average than would typically be suggested based on the CFNAI-MA3; negative values indicate the opposite. Shading indicates official periods of recession as identified by the National Bureau of Economic Research.

2015 MEI Release Dates

| <i>Date of Release</i> | <i>Monthly Data for</i> | <i>GSP Growth Forecasts through</i> |
|---------------------------|------------------------------|-------------------------------------|
| <i>March 31, 2015</i> | <i>January/February 2015</i> | <i>2014:Q4</i> |
| <i>April 30, 2015</i> | <i>March 2015</i> | |
| <i>May 29, 2015</i> | <i>April 2015</i> | |
| <i>June 30, 2015</i> | <i>May 2015</i> | <i>2015:Q1</i> |
| <i>July 31, 2015</i> | <i>June 2015</i> | |
| <i>August 31, 2015</i> | <i>July 2015</i> | |
| <i>September 30, 2015</i> | <i>August 2015</i> | <i>2015:Q2</i> |
| <i>October 30, 2015</i> | <i>September 2015</i> | |
| <i>December 2, 2015</i> | <i>October 2015</i> | |
| <i>December 30, 2015</i> | <i>November 2015</i> | <i>2015:Q3</i> |

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

Gross state product (GSP) growth forecasts are available at <https://www.chicagofed.org/region/midwest-economy/midwest-economy>.