

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
January 31, 2018

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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 30, 2018
8:30 am Eastern Time
7:30 am Central Time

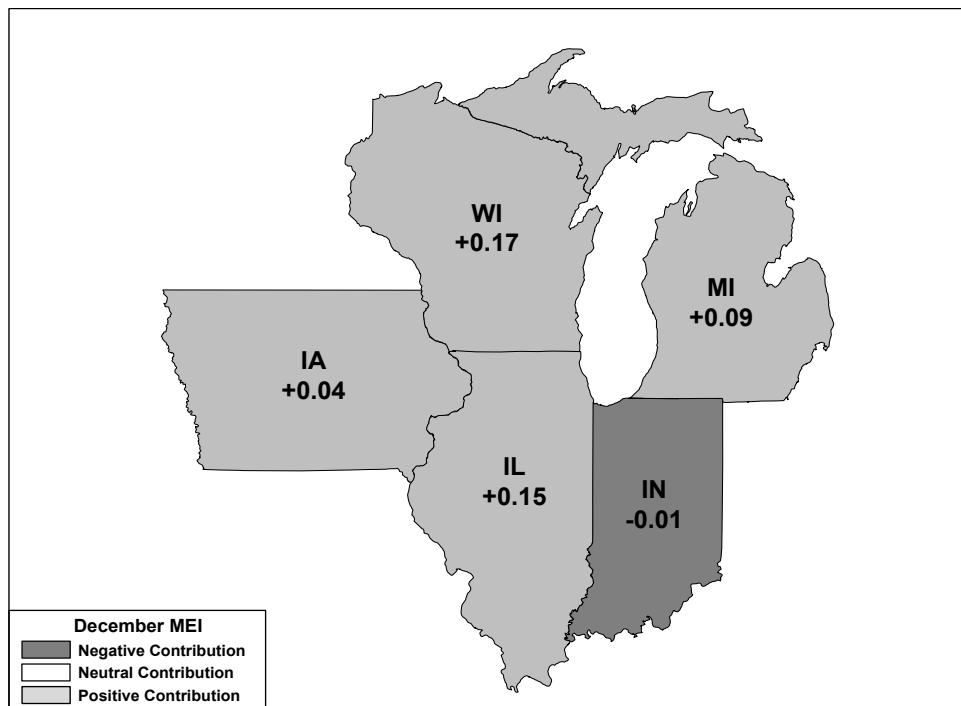
FEDERAL RESERVE BANK
OF CHICAGO

Midwest Economy Index

Index points to a pickup in Midwest economic growth in December

The Midwest Economy Index (MEI) rose to +0.43 in December from +0.17 in November. Contributions to the December MEI from all four broad sectors of nonfarm business activity and all five Seventh Federal Reserve District states increased from November. The relative MEI moved up to +0.02 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 2017

| MEI | Illinois | Indiana | Iowa | Michigan | Wisconsin | Regional | |
|----------------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|
| Manufacturing | +0.18 | +0.01 | +0.03 | +0.06 | +0.14 | -0.02 | +0.39 |
| Construction | -0.01 | 0.00 | +0.01 | 0.00 | -0.01 | 0.00 | -0.02 |
| Services | -0.02 | +0.01 | -0.02 | +0.05 | +0.03 | 0.00 | +0.05 |
| Consumer | 0.00 | -0.03 | +0.02 | -0.02 | +0.01 | +0.02 | +0.01 |
| | +0.15 | -0.01 | +0.04 | +0.09 | +0.17 | 0.00 | +0.43 |

| Relative MEI | Illinois | Indiana | Iowa | Michigan | Wisconsin | Regional | |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Manufacturing | +0.15 | -0.01 | +0.08 | +0.02 | +0.09 | +0.04 | +0.36 |
| Construction | -0.01 | -0.01 | -0.01 | 0.00 | -0.03 | 0.00 | -0.07 |
| Services | -0.15 | -0.02 | -0.10 | +0.01 | -0.01 | 0.00 | -0.27 |
| Consumer | 0.00 | -0.02 | +0.02 | -0.01 | 0.00 | -0.01 | -0.01 |
| | -0.01 | -0.06 | -0.02 | +0.01 | +0.06 | +0.03 | +0.02 |

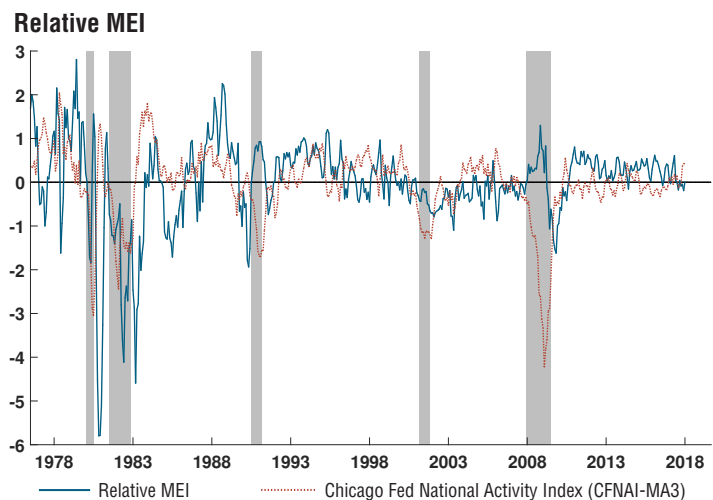
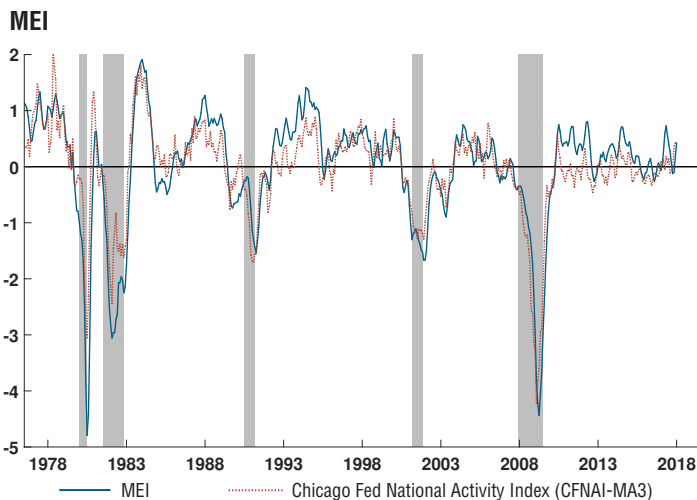
Notes: The table summarizes the most recent contribution to the MEI and relative MEI by sector and geography. The sectoral (rows) and geographic (columns) contributions may not sum to the index in each time period because of rounding. Manufacturing and construction and mining are composed of production 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 increased to +0.39 in December from +0.30 in November. The pace of manufacturing activity increased in Illinois, Indiana, Michigan, and Wisconsin, but was unchanged in Iowa. Manufacturing's contribution to the relative MEI increased to +0.36 in December from +0.27 in November.

The construction and mining sector's contribution to the MEI ticked up to -0.02 in December from -0.06 in November. The pace of construction and mining activity was stronger in Illinois, Indiana, and Iowa, but unchanged in Michigan and Wisconsin. Construction and mining made a contribution of -0.07 to the relative MEI in December, up slightly from -0.11 in November.

The service sector contributed +0.05 to the MEI in December, up from a neutral contribution in November. The pace of service sector activity was up in Illinois and Wisconsin, but unchanged in Indiana, Iowa, and Michigan. The service sector's contribution to the relative MEI edged up to -0.27 in December from -0.29 in November.

Consumer spending indicators made a contribution of +0.01 to the MEI in December, up from -0.07 in November. Consumer spending indicators were, on balance, up in all five Seventh District states. Consumer spending's contribution to the relative MEI increased to -0.01 in December from -0.07 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.

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.

2018 MEI Release Dates

| <i>Date of Release</i> | <i>Monthly Data for</i> |
|---------------------------|------------------------------|
| <i>March 30, 2018</i> | <i>January/February 2018</i> |
| <i>April 30, 2018</i> | <i>March 2018</i> |
| <i>May 31, 2018</i> | <i>April 2018</i> |
| <i>June 29, 2018</i> | <i>May 2018</i> |
| <i>July 31, 2018</i> | <i>June 2018</i> |
| <i>August 31, 2018</i> | <i>July 2018</i> |
| <i>September 28, 2018</i> | <i>August 2018</i> |
| <i>October 31, 2018</i> | <i>September 2018</i> |
| <i>November 30, 2018</i> | <i>October 2018</i> |
| <i>December 31, 2018</i> | <i>November 2018</i> |

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