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Midwest Economy Index

Index shows Midwest economic growth picked up slightly in August

The Midwest Economy Index (MEI) increased to –0.04 in August from –0.16 in July. The relative MEI moved up to +0.11 in August from +0.01 in July. August's value for the relative MEI indicates that Midwest economic growth was slightly higher than what would typically be suggested by the growth rate of the national economy.

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:
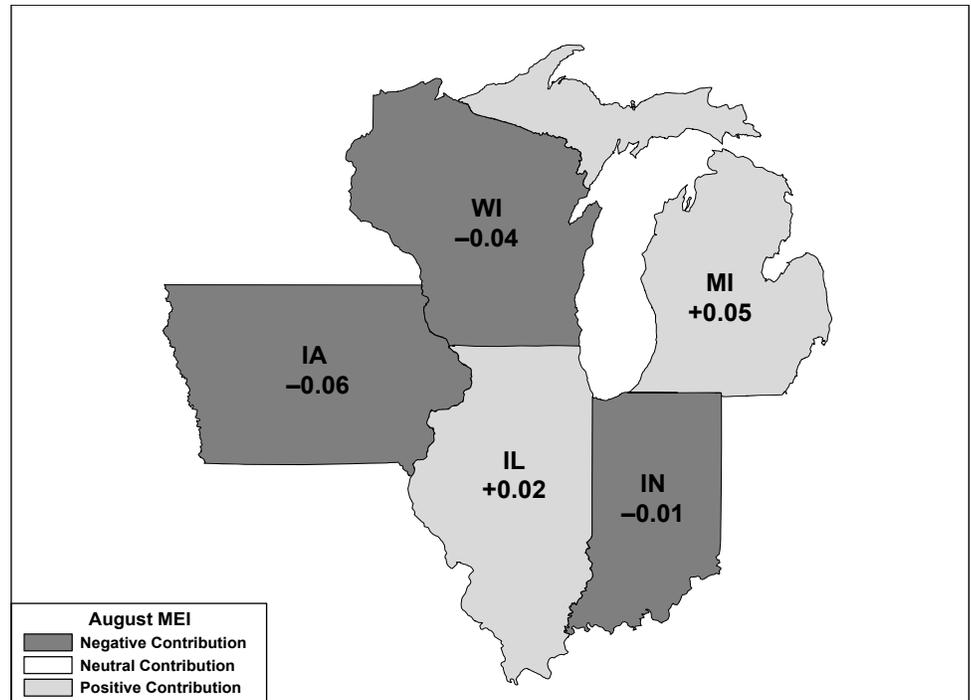**October 31, 2016**
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MEI and the Seventh Federal Reserve District States

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

August 2016

MEI

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	0.00	-0.01	-0.07	+0.05	0.00	0.00	**-0.01**
Construction	-0.03	-0.01	+0.02	-0.02	-0.04	0.00	**-0.07**
Services	+0.03	-0.03	0.00	+0.03	+0.01	0.00	**+0.04**
Consumer	+0.02	+0.03	-0.02	-0.02	-0.01	+0.01	**+0.01**
	+0.02	**-0.01**	**-0.06**	**+0.05**	**-0.04**	**0.00**	**-0.04**

Relative MEI

|	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	+0.02	-0.01	+0.05	+0.05	0.00	+0.01	**+0.12**
Construction	-0.03	+0.02	+0.03	-0.03	-0.02	0.00	**-0.03**
Services	+0.02	-0.02	+0.02	+0.02	-0.01	0.00	**+0.04**
Consumer	+0.01	+0.01	-0.01	-0.01	-0.01	0.00	**-0.01**
	+0.01	**0.00**	**+0.09**	**+0.03**	**-0.04**	**+0.01**	**+0.11**

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 –0.01 in August from –0.05 in July. The pace of manufacturing activity increased in Illinois, but was unchanged in Indiana, Iowa, Michigan, and Wisconsin. Manufacturing's contribution to the relative MEI remained at +0.12 in August.

The construction and mining sector's contribution to the MEI increased slightly to –0.07 in August from –0.09 in July. The pace of construction and mining activity was higher in Michigan, but lower in Illinois and unchanged in Indiana, Iowa, and Wisconsin. Construction and mining's contribution to the relative MEI was unchanged at –0.03 in August.

The service sector's contribution to the MEI increased to +0.04 in August from –0.05 in July. The pace of service sector activity was up in Indiana, Iowa, and Michigan, but down in Illinois and Wisconsin. The service sector's contribution to the relative MEI rose to +0.04 in August from –0.11 in July.

The contribution from consumer spending indicators to the MEI moved down to +0.01 in August from +0.03 in July. Consumer spending indicators were, on balance, down in Michigan and Wisconsin, but up in Indiana and Iowa and steady in Illinois. Consumer spending's contribution to the relative MEI decreased to –0.01 in August from +0.02 in July.

MEI
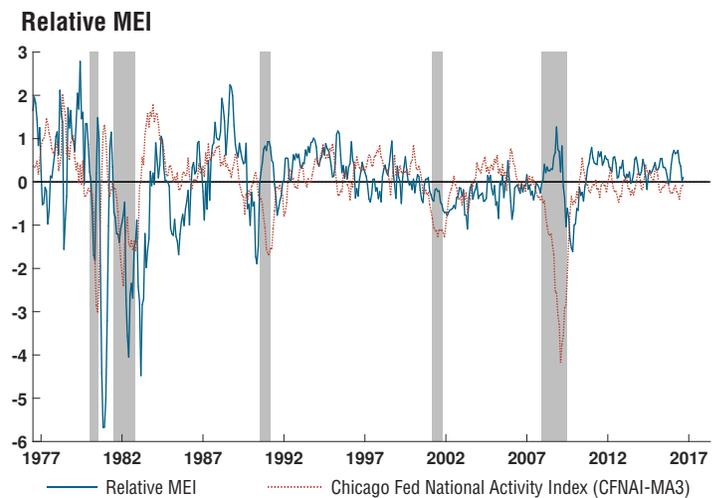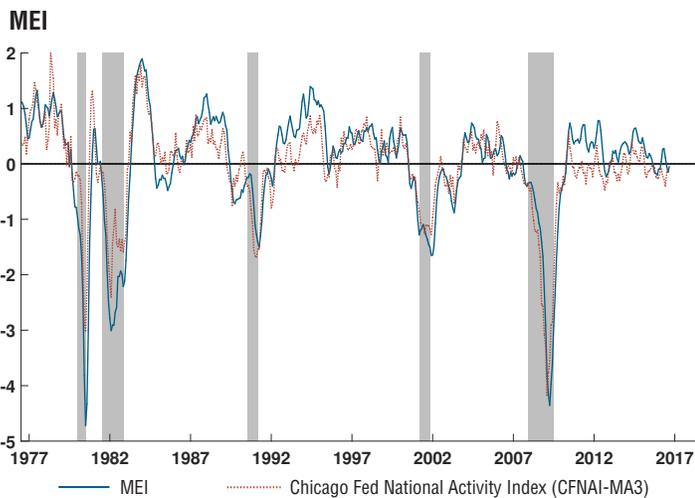
Notes: Both the MEI and the CFNAI-MA3 have been standardized to have a zero mean and are expressed in standard deviation units. MEI values greater than zero indicate growth in Midwest economic activity above its historical trend, and CFNAI-MA3 values greater than zero indicate growth in national economic 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.

Relative MEI

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.

2016 MEI Release Dates

Date of Release	Monthly Data for
October 31, 2016	September 2016
November 30, 2016	October 2016
December 30, 2016	November 2016

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