Midwest Economy Index

Index shows Midwest growth slowed in September

The Midwest Economy Index (MEI) decreased to −0.35 in September from −0.24 in August, reaching its lowest value since the end of 2009. The relative MEI decreased from −0.08 in August to −0.26 in September—it’s lowest value since February 2010 and the second consecutive month it has been negative.
Manufacturing’s contribution to the MEI decreased to +0.25 in September from +0.29 in August. However, manufacturing remained the only sector to make a positive contribution to the index in September. The pace of manufacturing activity decreased in Michigan and Wisconsin, but increased in Indiana and was steady in Illinois and Iowa. Manufacturing’s contribution to the relative MEI was also lower in September, declining to +0.51 from +0.56 in the previous month.

The construction and mining sector’s contribution to the MEI edged down to –0.16 in September from –0.15 in August. The pace of construction and mining activity decreased in Illinois, Iowa, Michigan, and Wisconsin, but increased in Indiana. Construction and mining’s contribution to the relative MEI also softened in September, edging down to –0.02 from –0.01 in August.

The service sector contributed –0.24 to the MEI in September, down from –0.19 in August. The pace of service sector activity was lower in Illinois, Iowa, and Wisconsin, but the pace experienced a slight uptick in Indiana and Michigan. The service sector’s contribution to the relative MEI declined to –0.51 in September from –0.42 in the previous month.

The contribution from consumer spending indicators to the MEI was –0.20 in September, down from –0.18 in August. Consumer spending indicators were down in Illinois, Indiana, and Michigan, but steady in Iowa and Wisconsin. Consumer spending’s contribution to the relative MEI was also lower in September, decreasing to –0.24 from –0.20 in August.

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 134 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.