Midwest Economy Index

Index shows Midwest economic growth increased in June

Led by continued strength in the manufacturing sector, the Midwest Economy Index (MEI) increased to +0.55 in June from +0.45 in May, reaching its highest level since May 2012. The relative MEI increased to −0.02 in June from −0.52 in the previous month. June’s value for the relative MEI indicates that the Midwest economy was growing at a rate roughly consistent with national economic growth.

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:
August 29, 2014
8:30 am Eastern Time
7:30 am Central Time

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Manufacturing’s contribution to the MEI moved down to +0.29 in June from +0.32 in May. The pace of manufacturing activity decreased in Indiana and Michigan, but increased in Illinois, Iowa, and Wisconsin. Manufacturing’s contribution to the relative MEI increased to +0.05 in June from –0.12 in May.

The construction and mining sector’s contribution to the MEI increased to +0.02 in June from –0.01 in May. The pace of construction and mining activity was higher in Illinois, Indiana, and Iowa, but lower in Michigan and Wisconsin. Construction and mining’s contribution to the relative MEI moved up to +0.07 in June from +0.02 in May.

The service sector contributed +0.04 to the MEI in June, up from –0.08 in May. The pace of service sector activity increased in all five Seventh District states. The service sector’s contribution to the relative MEI increased to –0.21 in June from –0.53 in May.

The contribution from consumer spending indicators to the MEI moved down to +0.20 in June from +0.22 in May. Consumer spending indicators were, on balance, down in Indiana and Michigan, but up in Iowa and steady in Illinois and Wisconsin. Consumer spending’s contribution to the relative MEI decreased to +0.06 in June from +0.11 in May.