Midwest Economy Index

Index points to increased Midwest economic growth in March

The Midwest Economy Index (MEI) rose to +0.60 in March from +0.28 in February. All four broad sectors of nonfarm business activity and all five Seventh Federal Reserve District states made positive contributions to the MEI in March. The relative MEI increased to +0.40 in March from +0.23 in February. All four sectors and four of the five states made positive contributions to the relative MEI in March.

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:
May 31, 2017
8:30 am Eastern Time
7:30 am Central Time

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The manufacturing sector’s contribution to the MEI increased to +0.22 in March from +0.10 in February. The pace of manufacturing activity increased in all five Seventh District states. Manufacturing’s contribution to the relative MEI edged up to +0.14 in March from +0.11 in February.

The construction and mining sector’s contribution to the MEI increased to +0.13 in March from +0.06 in February. The pace of construction and mining activity was higher in Illinois, Indiana, Michigan, and Wisconsin, but unchanged in Iowa. Construction and mining made a contribution of +0.16 to the relative MEI in March, up from +0.07 in February.

The service sector made a contribution of +0.11 to the MEI in March, up from +0.07 in February. The pace of service sector activity was up in Illinois, Iowa, and Wisconsin, but down in Indiana and Michigan. The service sector’s contribution to the relative MEI ticked up to +0.02 in March from a neutral reading in February.

The contribution from consumer spending indicators to the MEI moved up to +0.13 in March from +0.05 in February. Consumer spending indicators were, on balance, up in all five Seventh District states. Consumer spending’s contribution to the relative MEI edged up to +0.08 in March from +0.05 in February.

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 historically 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.

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<th>Date of Release</th>
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MEI historical data and background information are available at chicagofed.org/mei.