Midwest Economy Index

Index points to a pickup in Midwest economic growth in March

The Midwest Economy Index (MEI) moved up to +0.52 in March from +0.41 in February. Contributions to the March MEI from three of the four broad sectors of nonfarm business activity and three of the five Seventh Federal Reserve District states increased from February. The relative MEI declined to +0.13 in March from +0.43 in February. Contributions to the March relative MEI from three of the four sectors and four of the five states decreased from February.

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

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The manufacturing sector's contribution to the MEI edged up to +0.47 in March from +0.43 in February. The pace of manufacturing activity increased in Indiana, Iowa, Michigan, and Wisconsin, but decreased in Illinois. Manufacturing's contribution to the relative MEI declined to +0.32 in March from +0.55 in February.

The construction and mining sector's contribution to the MEI increased to +0.07 in March from +0.01 in February. The pace of construction and mining activity was stronger in Indiana, Michigan, and Wisconsin, but unchanged in Illinois and Iowa. Construction and mining made a contribution of +0.11 to the relative MEI in March, up from +0.06 in February.

The service sector contributed −0.04 to the MEI in March, down slightly from −0.03 in February. The pace of service sector activity was down in Iowa, but up in Michigan and Wisconsin and unchanged in Illinois and Indiana. The service sector's contribution to the relative MEI decreased to −0.30 in March from −0.20 in February.

Consumer spending indicators made a contribution of +0.02 to the MEI in March, up from −0.01 in February. Consumer spending indicators were, on balance, up in Illinois, Indiana, Michigan, and Wisconsin, but steady in Iowa. Consumer spending's contribution to the relative MEI edged down to a neutral contribution in March from +0.02 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 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.