

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
December 31, 2018

Contact:
Graham Justice
Media Relations
Federal Reserve Bank of Chicago
312-322-5768

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:
January 31, 2019
8:30 am Eastern Time
7:30 am Central Time

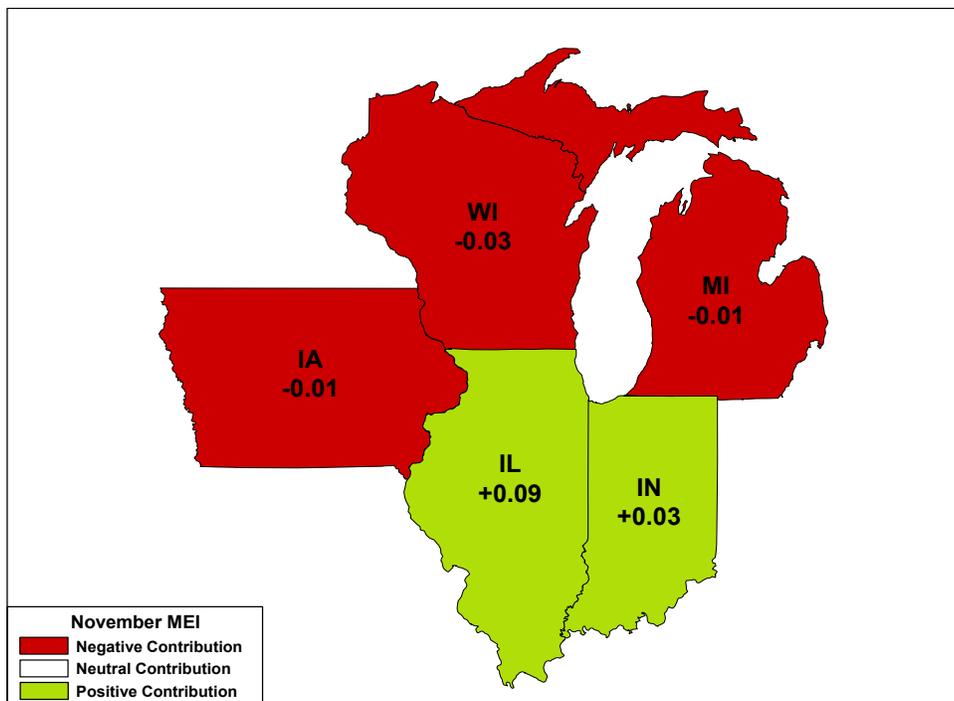
**FEDERAL RESERVE BANK
 OF CHICAGO**

Midwest Economy Index

Index points to slower Midwest economic growth in November

The Midwest Economy Index (MEI) moved down to +0.09 in November from +0.20 in October. Contributions to the November MEI from three of the four broad sectors of nonfarm business activity and three of the five Seventh Federal Reserve District states decreased from October. The relative MEI edged down to -0.24 in November from -0.22 in October. Contributions to the November relative MEI from two of the four sectors and three of the five states decreased from October.

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

November 2018

MEI	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	+0.13	-0.01	0.00	+0.03	+0.05	+0.01	+0.21
Construction	-0.01	+0.01	+0.01	-0.03	0.00	0.00	-0.03
Services	-0.02	+0.03	-0.03	-0.02	-0.04	0.00	-0.08
Consumer	-0.01	0.00	+0.01	+0.01	-0.03	+0.01	-0.02
	+0.09	+0.03	-0.01	-0.01	-0.03	+0.01	+0.09

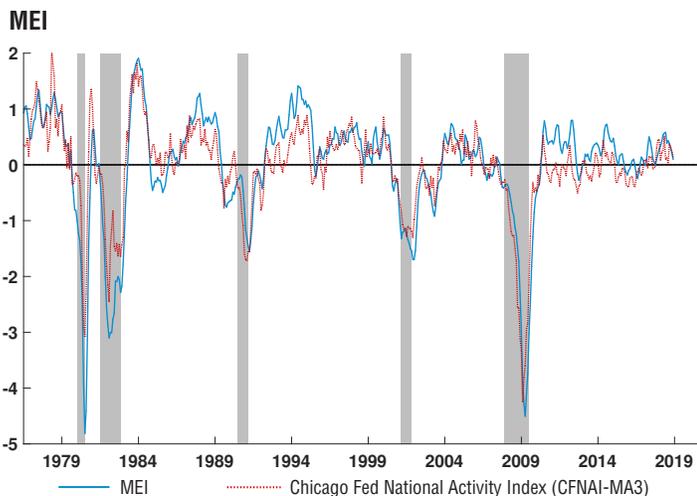
Relative MEI

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	+0.12	-0.02	+0.03	-0.01	+0.02	-0.01	+0.13
Construction	0.00	+0.02	+0.01	-0.03	+0.01	0.00	+0.01
Services	-0.10	+0.01	-0.08	-0.09	-0.11	0.00	-0.37
Consumer	0.00	+0.01	+0.01	0.00	-0.03	0.00	-0.01
	+0.02	+0.01	-0.02	-0.12	-0.11	-0.01	-0.24

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 edged down to +0.21 in November from +0.25 in October. The pace of manufacturing activity decreased in Iowa, Michigan, and Wisconsin, but increased in Illinois and was unchanged in Indiana. Manufacturing's contribution to the relative MEI ticked down to +0.13 in November from +0.14 in October.

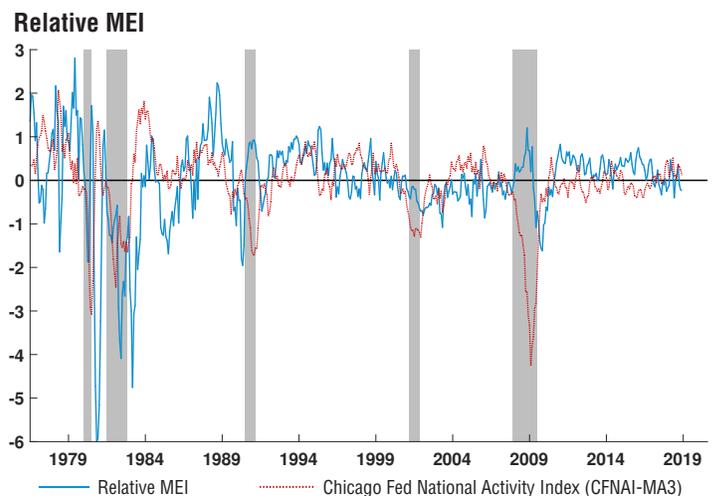
The construction and mining sector contributed -0.03 to the MEI in November, down from +0.02 in October. The pace of construction and mining activity was slower in Iowa, Michigan, and Wisconsin, but unchanged in Illinois and Indiana. The contribution from construction and mining to the relative MEI ticked down to +0.01 in November from +0.02 in October.



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.

The service sector's contribution to the MEI was unchanged at -0.08 in November. The pace of service sector activity was down in Michigan, but up in Wisconsin and unchanged in Illinois, Indiana, and Iowa. The service sector's contribution to the relative MEI was also unchanged, at -0.37, in November.

The contribution from consumer spending indicators to the MEI edged down to -0.02 in November from +0.02 in October. Consumer spending indicators were, on balance, down in Illinois, Indiana, and Iowa, but steady in Michigan and Wisconsin. Consumer spending's contribution to the relative MEI ticked up to -0.01 in November from -0.02 in October.



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 point to growth in Midwest economic activity that is higher on average than would historically be suggested based on the CFNAI-MA3; negative values suggest the opposite. Shading indicates official periods of recession as identified by the National Bureau of Economic Research.

2019 MEI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
January 31, 2019	December 2018
March 29, 2019	January/February 2019
April 30, 2019	March 2019
May 31, 2019	April 2019
June 28, 2019	May 2019
July 31, 2019	June 2019
August 30, 2019	July 2019
September 30, 2019	August 2019
October 31, 2019	September 2019
December 2, 2019	October 2019
December 31, 2019	November 2019

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