

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
October 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:
November 30, 2018
8:30 am Eastern Time
7:30 am Central Time

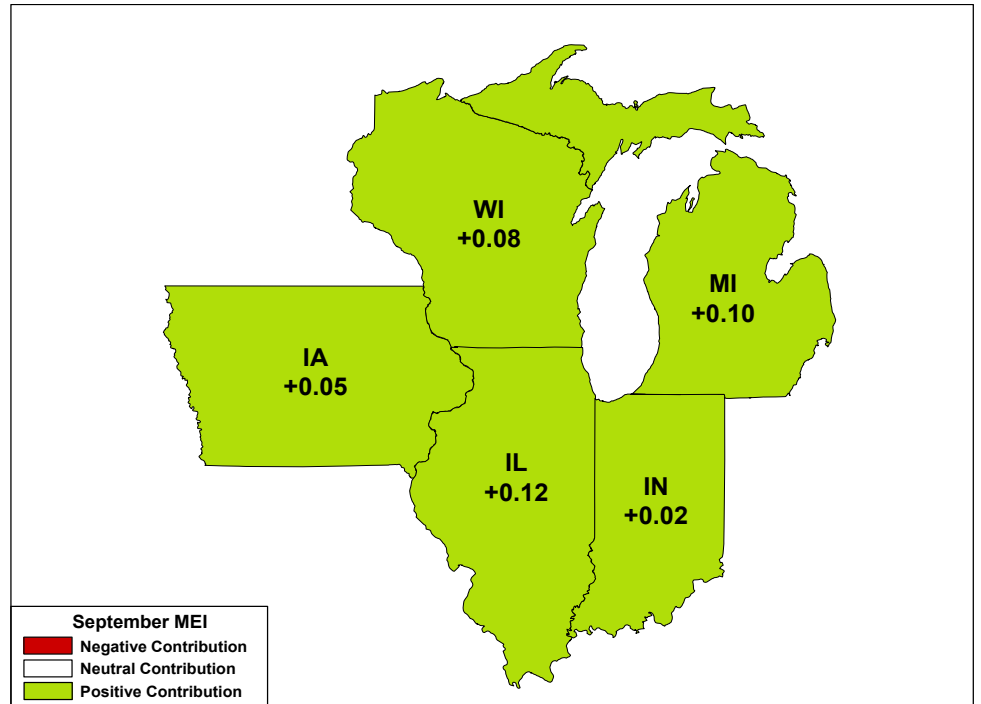
**FEDERAL RESERVE BANK
 OF CHICAGO**

Midwest Economy Index

Index points to steady Midwest economic growth in September

The Midwest Economy Index (MEI) was unchanged at +0.37 in September. Contributions to the September MEI from one of the four broad sectors of nonfarm business activity and one of the five Seventh Federal Reserve District states increased from August. The relative MEI fell to -0.06 in September from +0.35 in August. Contributions to the September relative MEI from all four sectors and four of the five states decreased from August.

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

September 2018

| MEI | Illinois | Indiana | Iowa | Michigan | Wisconsin | Regional | |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Manufacturing | +0.13 | 0.00 | +0.03 | +0.06 | +0.11 | +0.01 | +0.34 |
| Construction | -0.01 | 0.00 | +0.02 | 0.00 | +0.01 | 0.00 | +0.03 |
| Services | -0.02 | +0.01 | -0.03 | +0.02 | -0.03 | 0.00 | -0.06 |
| Consumer | +0.01 | +0.01 | +0.03 | +0.02 | -0.02 | 0.00 | +0.06 |
| | +0.12 | +0.02 | +0.05 | +0.10 | +0.08 | +0.01 | +0.37 |

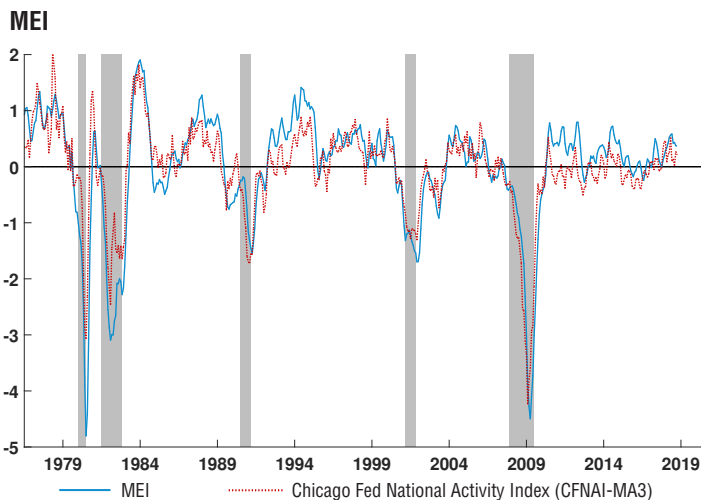
Relative MEI

| | Illinois | Indiana | Iowa | Michigan | Wisconsin | Regional | |
|----------------------|--------------|--------------|--------------|-------------|-------------|--------------|--------------|
| Manufacturing | +0.11 | -0.02 | +0.01 | +0.02 | +0.08 | -0.02 | +0.19 |
| Construction | -0.01 | +0.01 | +0.03 | +0.01 | +0.02 | 0.00 | +0.05 |
| Services | -0.11 | -0.02 | -0.07 | -0.03 | -0.07 | 0.00 | -0.29 |
| Consumer | 0.00 | +0.01 | +0.01 | 0.00 | -0.03 | 0.00 | -0.01 |
| | -0.01 | -0.03 | -0.02 | 0.00 | 0.00 | -0.02 | -0.06 |

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 ticked down to +0.34 in September from +0.35 in August. The pace of manufacturing activity decreased in Wisconsin, but increased in Illinois and Michigan and was unchanged in Indiana and Iowa. Manufacturing's contribution to the relative MEI decreased to +0.19 in September from +0.40 in August.

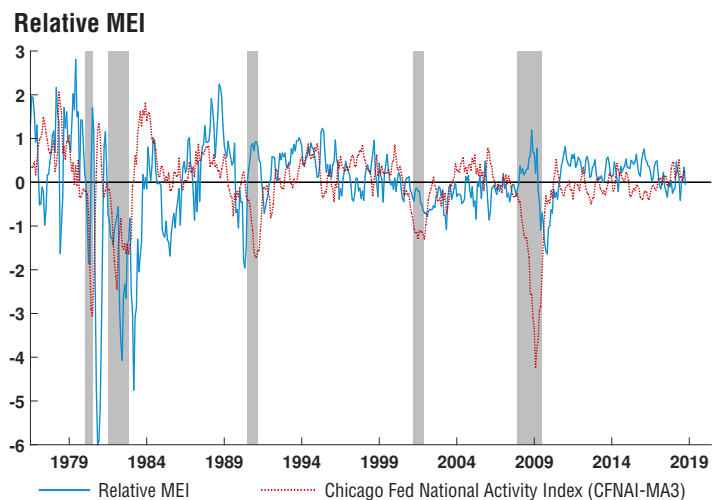
The construction and mining sector contributed +0.03 to the MEI in September, up slightly from +0.02 in August. The pace of construction and mining activity was faster in Indiana, but slower in Iowa and Michigan and unchanged in Illinois and Wisconsin. The contribution from construction and mining to the relative MEI ticked down to +0.05 in September from +0.07 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 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 -0.06 in September. The pace of service sector activity was down in Illinois, Iowa, and Michigan, but up in Indiana and Wisconsin. The service sector's contribution to the relative MEI moved down to -0.29 in September from -0.18 in August.

The contribution from consumer spending indicators to the MEI was unchanged at +0.06 in September. Consumer spending indicators were, on balance, up in Iowa, but down in Illinois and Wisconsin and steady in Indiana and Michigan. Consumer spending's contribution to the relative MEI edged down to -0.01 in September from +0.05 in August.



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.

2018/2019 MEI Release Dates

| <i>Date of Release</i> | <i>Monthly Data for</i> |
|---------------------------|------------------------------|
| November 30, 2018 | October 2018 |
| December 31, 2018 | November 2018 |
| 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.