

## News Release

Embargoed for release:  
**8:30 am Eastern Time**  
**7:30 am Central Time**  
**January 31, 2020**

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### 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:  
**March 31, 2020**  
**8:30 am Eastern Time**  
**7:30 am Central Time**

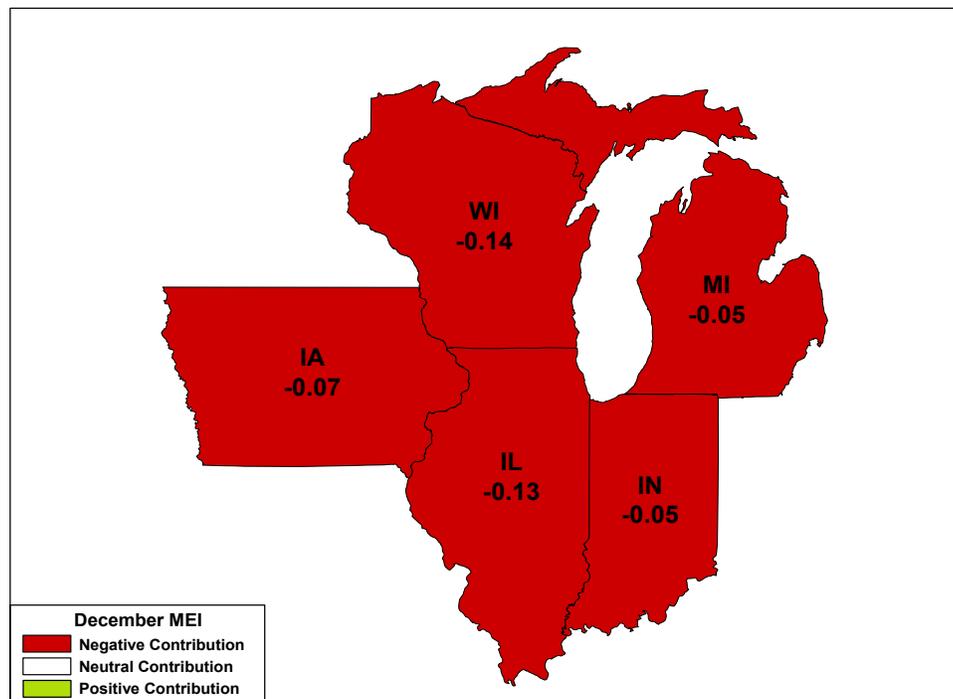
**FEDERAL RESERVE BANK  
 OF CHICAGO**

# Midwest Economy Index

## Index points to little change in Midwest growth in December

The Midwest Economy Index (MEI) edged up to  $-0.44$  in December from  $-0.48$  in November. Contributions to the December MEI from three of the four broad sectors of nonfarm business activity and two of the five Seventh Federal Reserve District states increased from November. The relative MEI moved down to  $-0.13$  in December from  $-0.08$  in November. Contributions to the December relative MEI from three of the four sectors and three of the five states decreased from November.

### MEI and the Seventh Federal Reserve District States



Note: The map's coloring 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

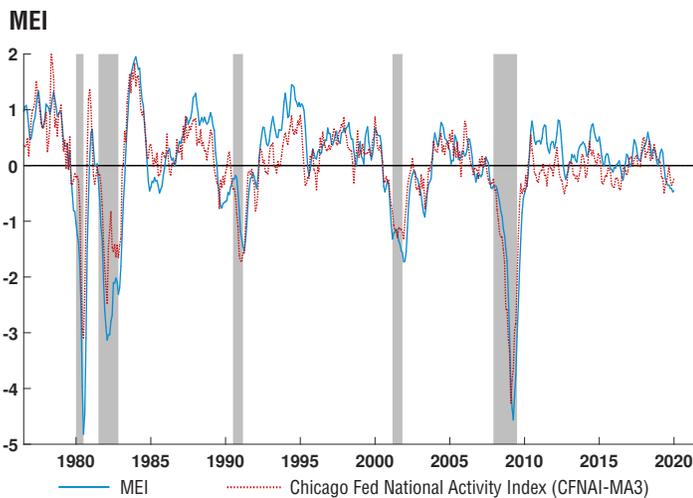
#### December 2019

MEI	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
<b>Manufacturing</b>	-0.11	-0.01	-0.06	-0.05	-0.11	-0.01	<b>-0.34</b>
<b>Construction</b>	-0.02	+0.02	0.00	-0.01	+0.01	0.00	<b>0.00</b>
<b>Services</b>	0.00	-0.05	-0.02	0.00	-0.01	0.00	<b>-0.08</b>
<b>Consumer</b>	0.00	0.00	0.00	0.00	-0.03	0.00	<b>-0.02</b>
	<b>-0.13</b>	<b>-0.05</b>	<b>-0.07</b>	<b>-0.05</b>	<b>-0.14</b>	<b>-0.01</b>	<b>-0.44</b>
Relative MEI	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
<b>Manufacturing</b>	-0.07	-0.01	+0.02	-0.03	-0.06	+0.01	<b>-0.13</b>
<b>Construction</b>	-0.01	+0.05	+0.01	+0.01	+0.02	0.00	<b>+0.07</b>
<b>Services</b>	+0.04	-0.10	-0.03	+0.01	-0.02	0.00	<b>-0.10</b>
<b>Consumer</b>	+0.02	0.00	+0.02	+0.01	-0.01	0.00	<b>+0.03</b>
	<b>-0.03</b>	<b>-0.06</b>	<b>+0.02</b>	<b>0.00</b>	<b>-0.07</b>	<b>+0.01</b>	<b>-0.13</b>

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 up to  $-0.34$  in December from  $-0.37$  in November. The pace of manufacturing activity increased in Indiana and Wisconsin, but decreased in Illinois and was unchanged in Iowa and Michigan. Manufacturing's contribution to the relative MEI edged down to  $-0.13$  in December from  $-0.11$  in November.

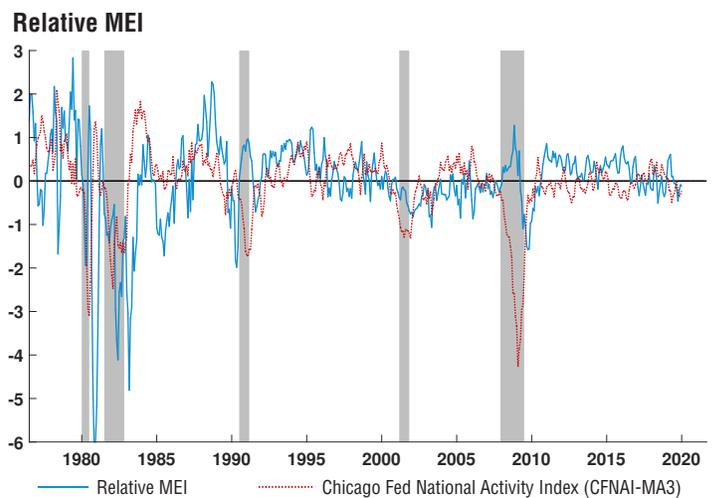
The construction and mining sector made a neutral contribution to the MEI in December, up slightly from  $-0.01$  in November. The pace of construction and mining activity was faster in Illinois and Indiana, but slower in Iowa and unchanged in Michigan and Wisconsin. Construction and mining's contribution to the relative MEI edged down to  $+0.07$  in December from  $+0.09$  in November.



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 ticked up to  $-0.08$  in December from  $-0.09$  in November. The pace of service sector activity was up in Indiana and Wisconsin, but down in Iowa and Michigan and unchanged in Illinois. The service sector's contribution to the relative MEI was unchanged at  $-0.10$  in December.

Consumer spending indicators contributed  $-0.02$  to the MEI in December, down slightly from  $-0.01$  in November. Consumer spending indicators were, on balance, down in Illinois and Iowa, but steady in Indiana, Michigan, and Wisconsin. Consumer spending's contribution to the relative MEI ticked down to  $+0.03$  in December from  $+0.04$  in November.



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.

#### MEI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
<i>March 31, 2020</i>	<i>January/February 2020</i>
<i>April 30, 2020</i>	<i>March 2020</i>
<i>May 29, 2020</i>	<i>April 2020</i>
<i>June 30, 2020</i>	<i>May 2020</i>
<i>July 31, 2020</i>	<i>June 2020</i>
<i>August 31, 2020</i>	<i>July 2020</i>
<i>September 30, 2020</i>	<i>August 2020</i>
<i>October 30, 2020</i>	<i>September 2020</i>
<i>November 30, 2020</i>	<i>October 2020</i>
<i>December 31, 2020</i>	<i>November 2020</i>

*MEI historical data and background information are available at [chicagofed.org/mei](http://chicagofed.org/mei).*