

## News Release

Embargoed for release:  
**8:30 am Eastern Time**  
**7:30 am Central Time**  
**June 28, 2019**

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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:**  
**July 31, 2019**  
**8:30 am Eastern Time**  
**7:30 am Central Time**

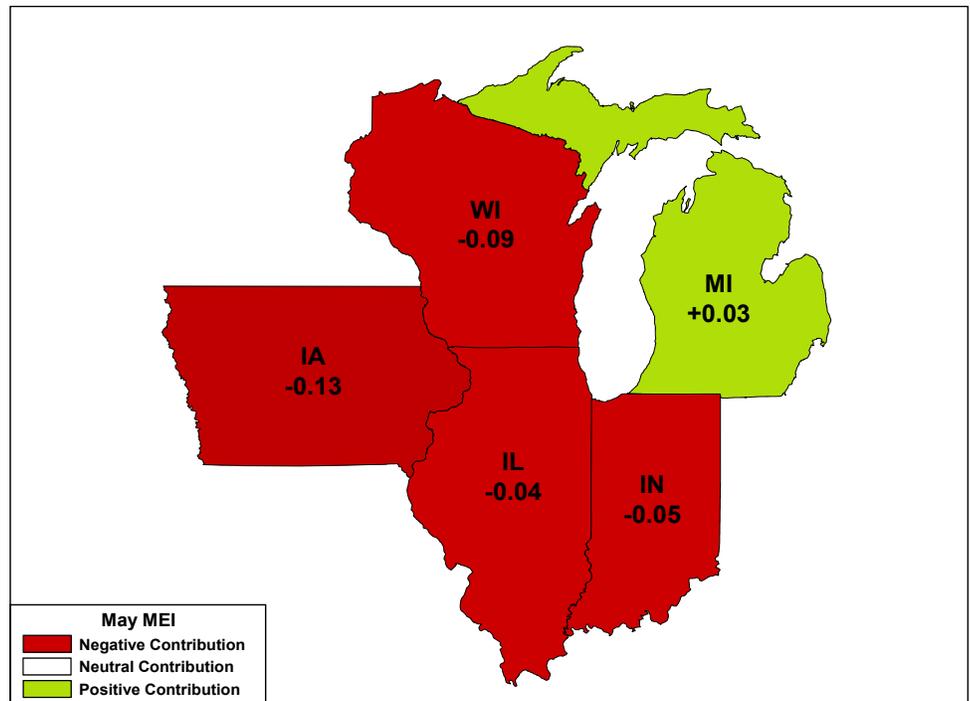
**FEDERAL RESERVE BANK  
 OF CHICAGO**

# Midwest Economy Index

## Index points to slower Midwest economic growth in May

The Midwest Economy Index (MEI) fell to  $-0.28$  in May from  $-0.02$  in April, reaching its lowest level since February 2010. Contributions to the May MEI from two of the four broad sectors of nonfarm business activity and all five Seventh Federal Reserve District states decreased from April. The relative MEI moved down to  $+0.01$  in May from  $+0.18$  in April. Contributions to the May relative MEI from three of the four sectors and four of the five states decreased from April.

### 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

#### May 2019

| MEI                  | Illinois     | Indiana      | Iowa         | Michigan     | Wisconsin    | Regional    |              |
|----------------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|
| <b>Manufacturing</b> | +0.01        | 0.00         | -0.05        | 0.00         | -0.02        | 0.00        | <b>-0.07</b> |
| <b>Construction</b>  | -0.01        | 0.00         | -0.01        | -0.01        | -0.03        | 0.00        | <b>-0.07</b> |
| <b>Services</b>      | -0.03        | -0.04        | -0.07        | +0.04        | -0.05        | 0.00        | <b>-0.15</b> |
| <b>Consumer</b>      | -0.01        | -0.01        | +0.01        | 0.00         | 0.00         | +0.01       | <b>+0.01</b> |
|                      | <b>-0.04</b> | <b>-0.05</b> | <b>-0.13</b> | <b>+0.03</b> | <b>-0.09</b> | <b>0.00</b> | <b>-0.28</b> |

#### Relative MEI

|                      | Illinois     | Indiana      | Iowa         | Michigan     | Wisconsin    | Regional    |              |
|----------------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|
| <b>Manufacturing</b> | +0.07        | +0.01        | +0.03        | +0.03        | +0.01        | 0.00        | <b>+0.15</b> |
| <b>Construction</b>  | +0.01        | +0.01        | 0.00         | -0.01        | -0.03        | 0.00        | <b>-0.02</b> |
| <b>Services</b>      | -0.03        | -0.04        | -0.11        | +0.07        | -0.06        | 0.00        | <b>-0.17</b> |
| <b>Consumer</b>      | +0.01        | +0.01        | +0.02        | +0.01        | +0.01        | 0.00        | <b>+0.05</b> |
|                      | <b>+0.06</b> | <b>-0.02</b> | <b>-0.07</b> | <b>+0.10</b> | <b>-0.07</b> | <b>0.00</b> | <b>+0.01</b> |

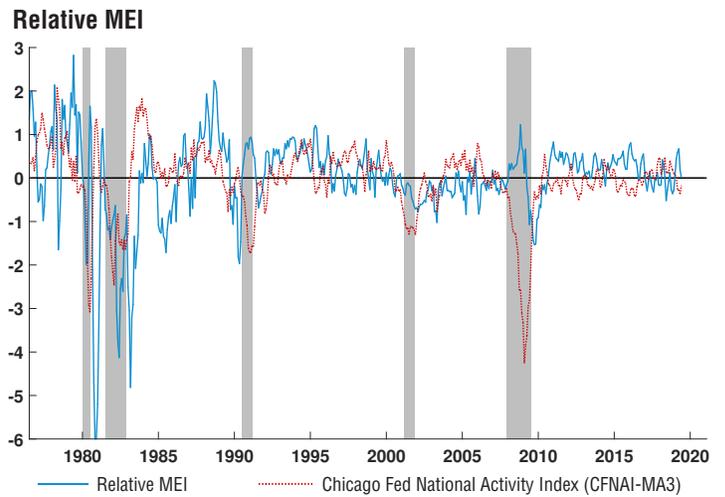
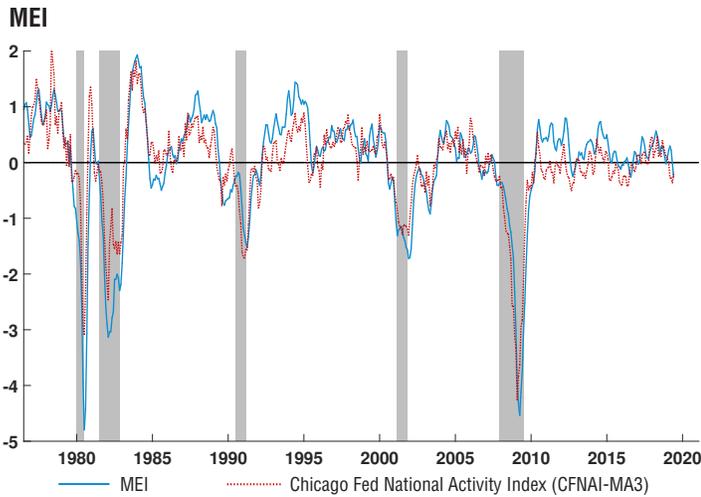
Notes: The table summarizes the most recent contribution to the MEI and relative MEI by sector and geography. The sectoral (rows) and geographic (columns) contributions may not sum to the index in each time period because of rounding. Manufacturing and construction and mining are composed of production 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 moved down to  $-0.07$  in May from  $+0.08$  in April. The pace of manufacturing activity decreased in Illinois, Iowa, Michigan, and Wisconsin, but was unchanged in Indiana. Manufacturing's contribution to the relative MEI ticked down to  $+0.15$  in May from  $+0.16$  in April.

The construction and mining sector's contribution to the MEI was unchanged at  $-0.07$  in May. The pace of construction and mining activity was slower in Wisconsin, but faster in Illinois and Iowa and unchanged in Indiana and Michigan. The contribution from construction and mining to the relative MEI edged down to  $-0.02$  in May from a neutral reading in April.

The service sector contributed  $-0.15$  to the MEI in May, down from  $-0.04$  in April. The pace of service sector activity was down in Illinois, Indiana, Michigan, and Wisconsin, but unchanged in Iowa. The service sector's contribution to the relative MEI decreased to  $-0.17$  in May from  $-0.02$  in April.

The contribution from consumer spending indicators to the MEI was unchanged at  $+0.01$  in May. Consumer spending indicators were, on balance, down in Indiana and Michigan, but steady in Illinois, Iowa, and Wisconsin. Consumer spending's contribution to the relative MEI ticked up to  $+0.05$  in May from  $+0.04$  in April.



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.

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> |
|---------------------------|-------------------------|
| <i>July 31, 2019</i>      | <i>June 2019</i>        |
| <i>August 30, 2019</i>    | <i>July 2019</i>        |
| <i>September 30, 2019</i> | <i>August 2019</i>      |
| <i>October 31, 2019</i>   | <i>September 2019</i>   |
| <i>December 2, 2019</i>   | <i>October 2019</i>     |
| <i>December 31, 2019</i>  | <i>November 2019</i>    |