

## News Release

Embargoed for release:  
8:30 am Eastern Time  
7:30 am Central Time  
March 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:  
April 30, 2020  
8:30 am Eastern Time  
7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

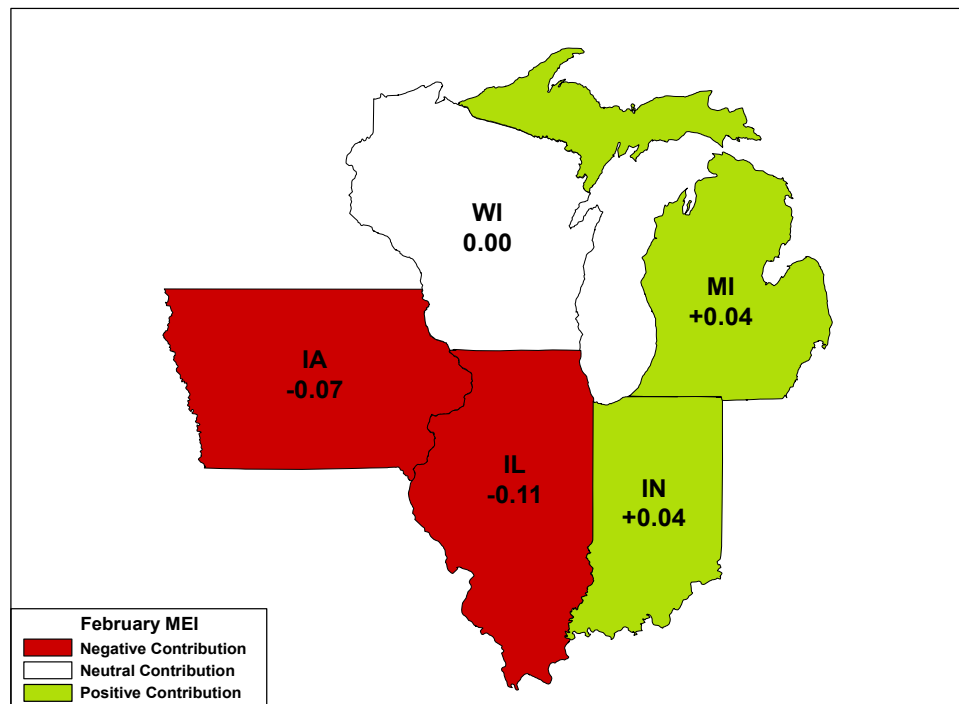
# Midwest Economy Index

## Index points to a pickup in Midwest growth in February

*The data through February were unlikely to have been affected much by the Covid-19 outbreak. Economic data for March will be incorporated in the next MEI released on April 30, 2020.*

The Midwest Economy Index (MEI) rose to  $-0.08$  in February from  $-0.35$  in January. Contributions to the February MEI from all four broad sectors of nonfarm business activity and four of the five Seventh Federal Reserve District states increased from January. The relative MEI moved up to  $+0.09$  in February from  $-0.07$  in January. Contributions to the February relative MEI from two of the four sectors and four of the five states increased from January.

### 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

#### February 2020

MEI	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	-0.10	-0.01	-0.04	+0.01	-0.04	+0.01	<b>-0.18</b>
Construction	-0.01	+0.02	+0.01	+0.01	+0.01	0.00	<b>+0.03</b>
Services	+0.01	+0.02	-0.03	+0.02	+0.05	0.00	<b>+0.06</b>
Consumer	-0.01	0.00	0.00	0.00	-0.01	0.00	<b>-0.01</b>
	<b>-0.11</b>	<b>+0.04</b>	<b>-0.07</b>	<b>+0.04</b>	<b>0.00</b>	<b>+0.01</b>	<b>-0.08</b>

#### Relative MEI

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	-0.11	-0.01	-0.02	+0.01	-0.01	-0.01	<b>-0.16</b>
Construction	0.00	+0.04	+0.01	+0.03	+0.02	0.00	<b>+0.10</b>
Services	+0.05	+0.06	-0.07	+0.02	+0.09	0.00	<b>+0.15</b>
Consumer	0.00	0.00	0.00	0.00	-0.01	0.00	<b>-0.01</b>
	<b>-0.06</b>	<b>+0.09</b>	<b>-0.09</b>	<b>+0.06</b>	<b>+0.09</b>	<b>-0.01</b>	<b>+0.09</b>

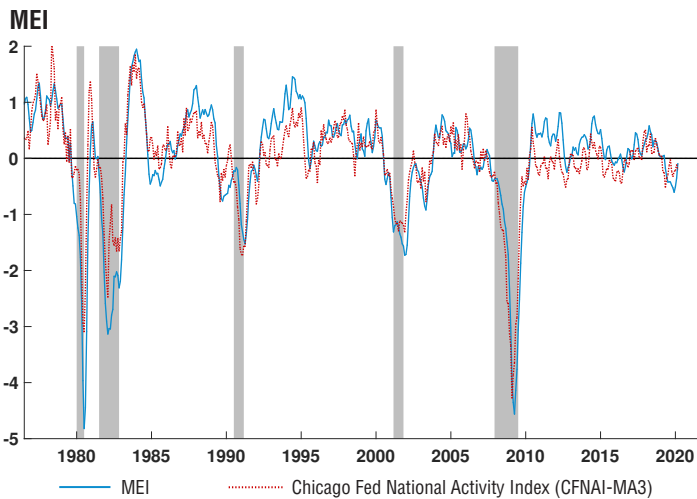
Notes: The table summarizes the most recent contribution to the MEI and relative MEI by sector and geography. The sectoral (rows) and geographic (columns) contributions may not sum to the index in each time period because of rounding. Manufacturing and construction and mining are composed of production 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 increased to  $-0.18$  in February from  $-0.27$  in January. The pace of manufacturing activity increased in Illinois, Michigan, and Wisconsin, but was unchanged in Indiana and Iowa. Manufacturing's contribution to the relative MEI moved down to  $-0.16$  in February from  $-0.09$  in January.

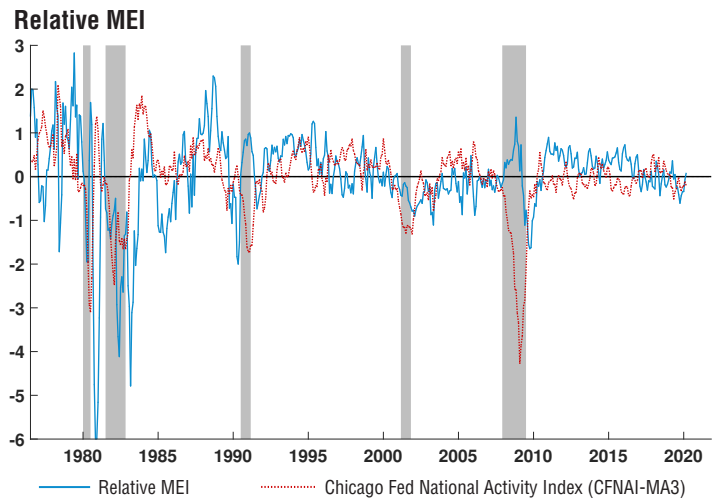
The construction and mining sector contributed  $+0.03$  to the MEI in February, up from  $-0.02$  in January. The pace of construction and mining activity was faster in all five states. Construction and mining's contribution to the relative MEI moved up to  $+0.10$  in February from  $+0.05$  in January.

The service sector's contribution to the MEI increased to  $+0.06$  in February from  $-0.05$  in January. The pace of service sector activity was up in Illinois, Indiana, Michigan, and Wisconsin, but down in Iowa. The service sector's contribution to the relative MEI increased to  $+0.15$  in February from  $-0.04$  in January.

Consumer spending indicators contributed  $-0.01$  to the MEI in February, up slightly from  $-0.02$  in January. Consumer spending indicators were, on balance, steady in all five states. Consumer spending's contribution to the relative MEI edged down to  $-0.01$  in February from  $+0.01$  in January.



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.

### MEI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</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>