

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
July 31, 2017

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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:
August 31, 2017
8:30 am Eastern Time
7:30 am Central Time

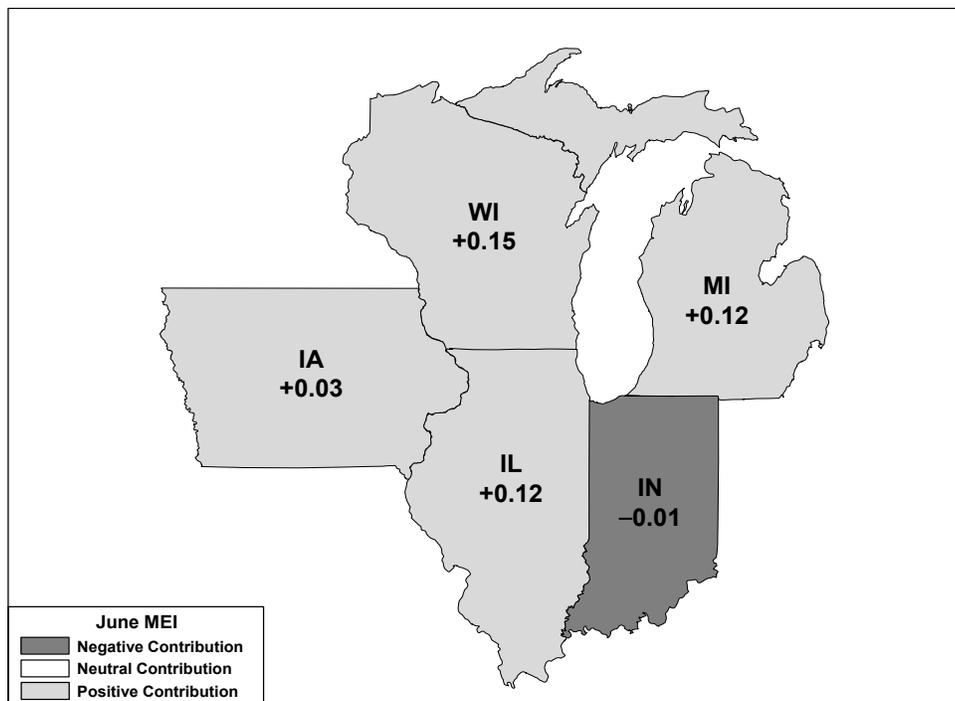
FEDERAL RESERVE BANK
OF CHICAGO

Midwest Economy Index

Index points to slower Midwest economic growth in June

The Midwest Economy Index (MEI) decreased to +0.42 in June from +0.55 in May. Contributions to the June MEI from all four broad sectors of nonfarm business activity and all five Seventh Federal Reserve District states declined from May. The relative MEI moved up to +0.24 in June from +0.13 in May. Contributions to the June relative MEI from two of the four sectors and four of the five states improved from May.

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

June 2017

MEI	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	+0.11	0.00	+0.07	+0.07	+0.10	+0.01	+0.35
Construction	-0.02	0.00	-0.01	+0.01	-0.01	0.00	-0.04
Services	+0.01	-0.05	-0.03	+0.01	0.00	0.00	-0.07
Consumer	+0.03	+0.05	0.00	+0.04	+0.06	-0.01	+0.17
	+0.12	-0.01	+0.03	+0.12	+0.15	0.00	+0.42

Relative MEI

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	+0.16	-0.01	+0.01	+0.07	+0.12	-0.02	+0.34
Construction	-0.02	0.00	-0.01	0.00	-0.01	0.00	-0.05
Services	-0.01	-0.09	-0.04	0.00	-0.03	0.00	-0.17
Consumer	+0.02	+0.02	0.00	+0.02	+0.05	0.00	+0.11
	+0.15	-0.08	-0.04	+0.08	+0.13	-0.01	+0.24

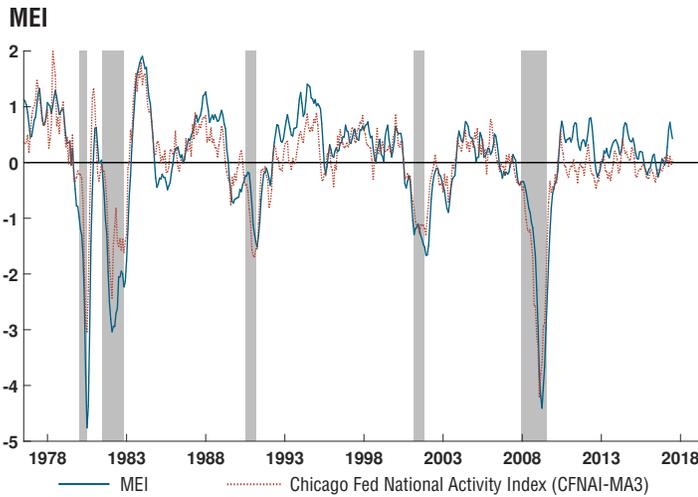
Notes: The table summarizes the most recent contribution to the MEI and relative MEI by sector and geography. The sectoral (rows) and geographic (columns) contributions may not sum to the index in each time period because of rounding. Manufacturing and construction and mining are composed of production 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 +0.35 in June from +0.37 in May. The pace of manufacturing activity decreased in Indiana, Wisconsin, and Michigan, but increased in Illinois and was unchanged in Iowa. Manufacturing's contribution to the relative MEI increased to +0.34 in June from +0.17 in May.

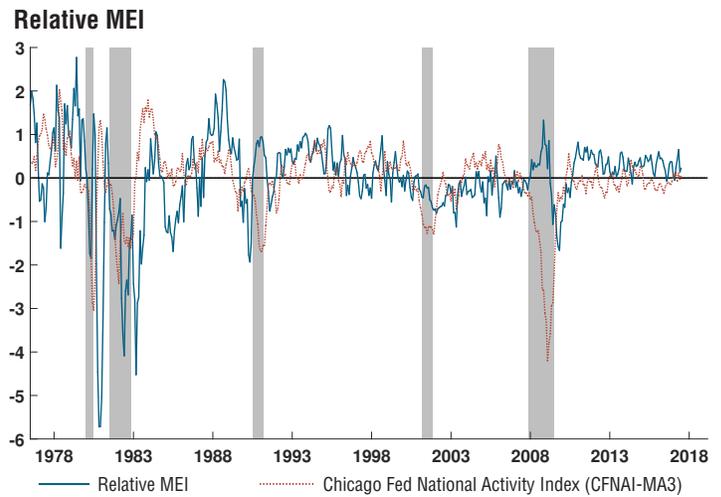
The construction and mining sector's contribution to the MEI decreased to -0.04 in June from +0.02 in May. The pace of construction and mining activity was lower in Iowa, Michigan, and Wisconsin and unchanged in Illinois and Indiana. Construction and mining made a contribution of -0.05 to the relative MEI in June, down from +0.03 in May.

The service sector made a contribution of -0.07 to the MEI in June, slightly down from -0.05 in May. The pace of service sector activity was down in Iowa and Wisconsin, but up in Indiana and Michigan and unchanged in Illinois. The service sector's contribution to the relative MEI increased to -0.17 in June from -0.20 in May.

The contribution from consumer spending indicators to the MEI decreased to +0.17 in June from +0.22 in May. Consumer spending indicators were, on balance, down in Illinois, Iowa, and Wisconsin, but up in Indiana and steady in Michigan. Consumer spending's contribution to the relative MEI edged down to +0.11 in June from +0.13 in May.



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 indicate growth in Midwest economic activity above its historical trend, and CFNAI-MA3 values greater than zero indicate growth in national economic activity above its historical trend; negative values indicate 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 indicate that growth in Midwest economic activity is higher on average than would historically be suggested based on the CFNAI-MA3; negative values indicate the opposite. Shading indicates official periods of recession as identified by the National Bureau of Economic Research.

2017 MEI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
<i>August 31, 2017</i>	<i>July 2017</i>
<i>September 29, 2017</i>	<i>August 2017</i>
<i>October 31, 2017</i>	<i>September 2017</i>
<i>November 30, 2017</i>	<i>October 2017</i>
<i>December 29, 2017</i>	<i>November 2017</i>