

News You Can Use

An Introduction to Chicago Fed Indexes



The Midwest Economy Index (MEI)

Similar to the CFNAI, but for the *Midwest* nonagricultural economy

- Weighted average of 129 state/regional indicators
- Estimated by principal components analysis
- Covers *four* broad sectors of the Midwest economy
 - Manufacturing, Services, Construction and Mining, Consumer Spending
- Spans the *five* states in the *Seventh Federal Reserve District*
 - IL, IN, IA, MI, WI
- First introduced in Brave and Lu (2010)
- Released near the *end* of each month at chicagofed.org/mei

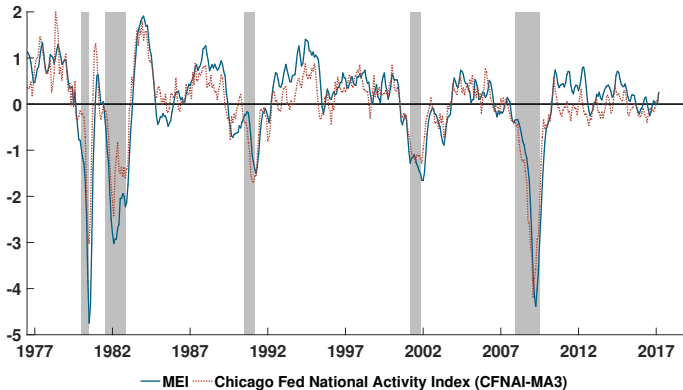


Interpreting the MEI and Relative MEI

Smoothed *monthly* indexes (like the CFNAI-MA3)

- **MEI** interprets Midwest growth relative to *trend*
- Scale is in standard deviations from trend growth
- **Relative MEI** compares Midwest and U.S. growth
 - Positive values indicate *above-average* differential
 - Negative values indicate *below-average* differential
 - Scale is in standard deviations from *average* differential

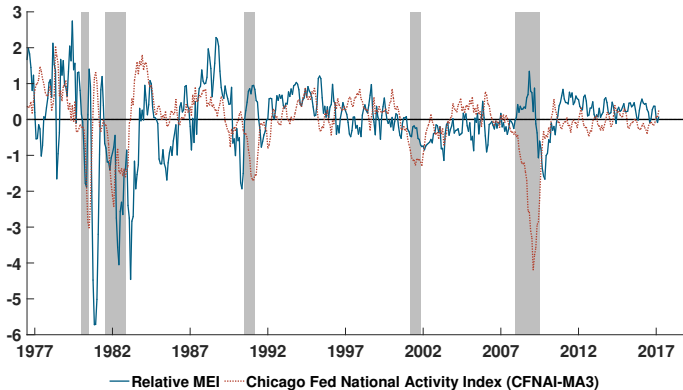
MEI and the CFNAI-MA3



Background Information



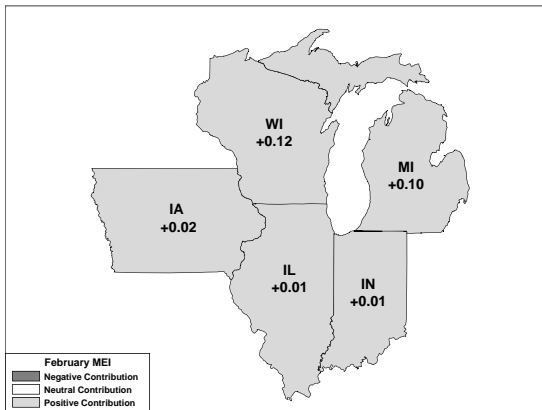
Midwest vs. U.S. Growth



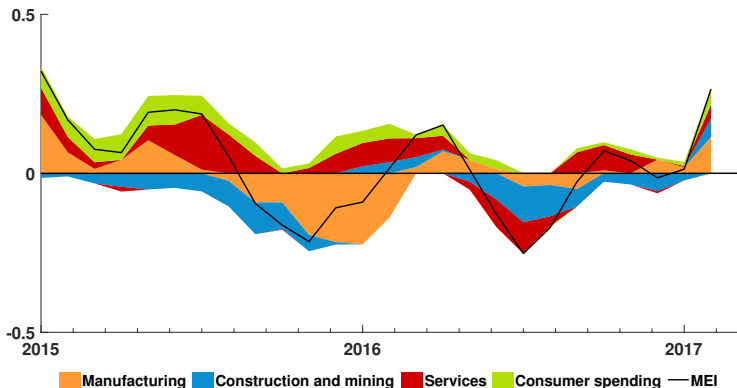
Background Information



MEI and the Seventh District States



MEI by Sector of the Midwest Economy

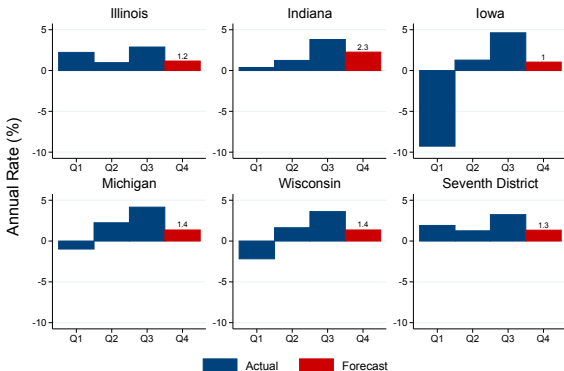


Background Information



Gross State Product Growth Predictions, 2016

Used to predict Seventh District GSP growth, Brave and Wang (2011)



Updated Forecasts of Seventh District GSP Growth



Additional information available at chicagofed.org/research/data/index

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