

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
July 29, 2011

Contact:
Laura LaBarbera
Media Relations
Federal Reserve Bank of Chicago
312-322-2387

What is the Midwest Economy Index?

The index is a weighted average of 134 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 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 indicates that the Midwest economy is expanding at its historical trend rate of growth; positive values indicate above-average growth; and negative values indicate below-average growth. A zero value for the relative MEI indicates that the Midwest economy is growing at a rate historically consistent with the growth of the national economy; positive values indicate above-average relative growth; and negative values indicate below-average relative growth.

The next MEI will be released:
August 29, 2011
8:30 am Eastern Time
7:30 am Central Time

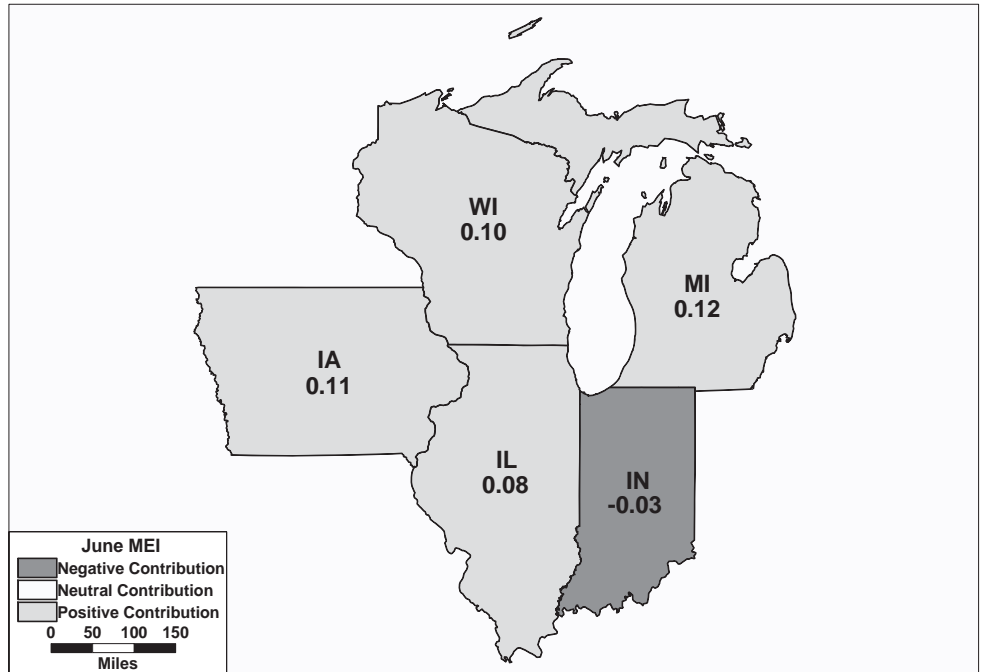
**FEDERAL RESERVE BANK
 OF CHICAGO**

Midwest Economy Index

Index shows Midwest economic growth slowed in June

The Midwest Economy Index (MEI) declined to +0.37 in June from +0.85 in May, but remained above its historical trend for the sixteenth consecutive month. In addition, Midwest growth continued to outperform its historical deviation with respect to national growth, although the relative MEI decreased to +1.01 in June from +1.48 in the previous month.

MEI and the Seventh Federal Reserve District States



Note: The map summarizes the most recent contribution to growth in Midwest economic activity from each of the five states that are in the Seventh Federal Reserve District (Illinois, Indiana, Iowa, Michigan, and Wisconsin).

Sectoral and Geographic Contributions to the MEI and Relative MEI

June 2011

MEI

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	0.13	0.01	0.12	0.17	0.11	0.01	0.54
Construction	-0.01	-0.03	0.00	-0.03	-0.01	-0.01	-0.10
Services	-0.02	-0.03	-0.01	-0.02	0.00	0.00	-0.08
Consumer	-0.02	0.02	0.00	0.00	0.01	0.00	0.02
	0.08	-0.03	0.11	0.12	0.10	-0.01	0.37

Relative MEI

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	0.31	0.01	0.10	0.26	0.25	0.02	0.95
Construction	0.00	-0.02	0.02	-0.03	0.00	0.00	-0.04
Services	-0.04	0.00	0.01	0.00	0.07	0.00	0.03
Consumer	0.00	0.03	0.01	0.01	0.02	0.00	0.08
	0.27	0.02	0.14	0.24	0.34	0.01	1.01

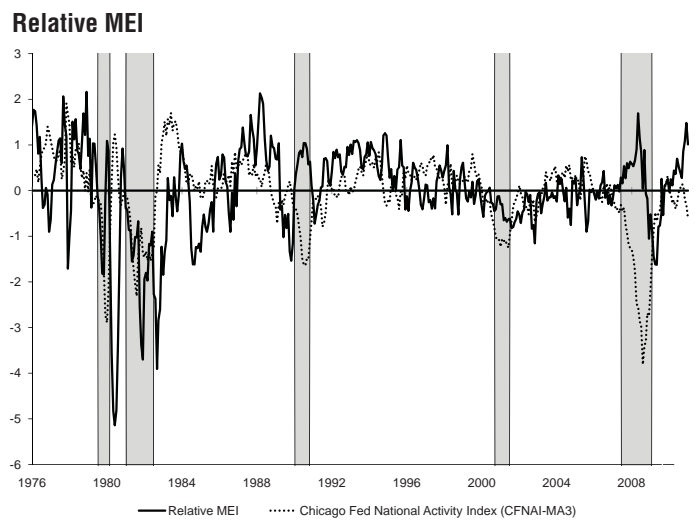
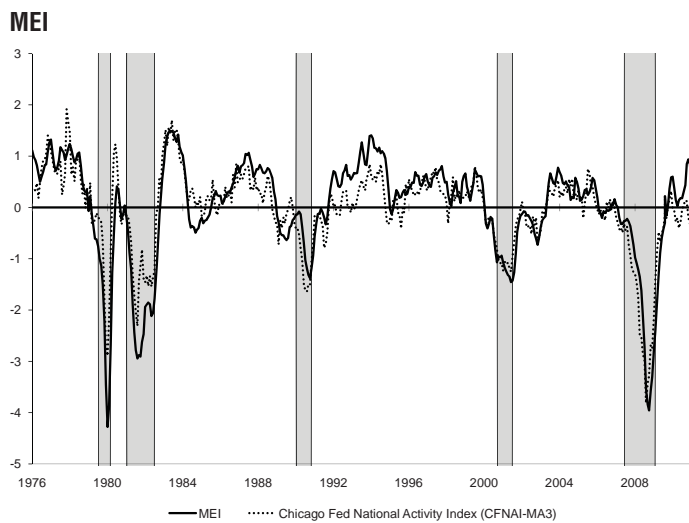
Notes: The table summarizes the most recent contribution to the MEI and relative MEI by sector and geography. The sectoral (rows) and geographic (columns) contributions may not sum to the index in each time period because of rounding. Manufacturing and construction and mining are composed of production and employment indicators. Services contains only employment indicators, while consumer spending contains employment, unemployment, per capita personal income, and home and retail sales indicators.

Manufacturing's contribution to the MEI declined to +0.54 in June from +0.81 in May. All five Seventh District states experienced declines in the pace of manufacturing activity in June. Manufacturing's contribution to the relative MEI also decreased, moving down to +0.95 in June from +1.06 in the previous month.

The construction and mining sector's contribution to the MEI increased to -0.10 in June from -0.15 in May. Illinois and Michigan saw increases in the pace of construction and mining activity, while the pace of activity was unchanged in Indiana, Iowa, and Wisconsin. Construction and mining's contribution to the relative MEI decreased in June, edging down to -0.04 from -0.02 in the previous month.

The service sector contributed -0.08 to the MEI in June, down from +0.07 in May. All five Seventh District states experienced declines in the pace of service sector activity. The service sector's contribution to the relative MEI also declined, decreasing to +0.03 in June from +0.34 in the previous month.

The contribution from consumer spending to the MEI was +0.02 in June, down from +0.11 in May. Consumer spending indicators for all five Seventh District states moved lower in June. Consumer spending's contribution to the relative MEI decreased to +0.08 in June from +0.10 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 134 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 typically 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.

2011 MEI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
<i>August 29, 2011</i>	<i>July 2011</i>
<i>September 29, 2011</i>	<i>August 2011</i>
<i>October 31, 2011</i>	<i>September 2011</i>
<i>November 30, 2011</i>	<i>October 2011</i>
<i>December 29, 2011</i>	<i>November 2011</i>