

News Release

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

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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:
January 31, 2012
8:30 am Eastern Time
7:30 am Central Time

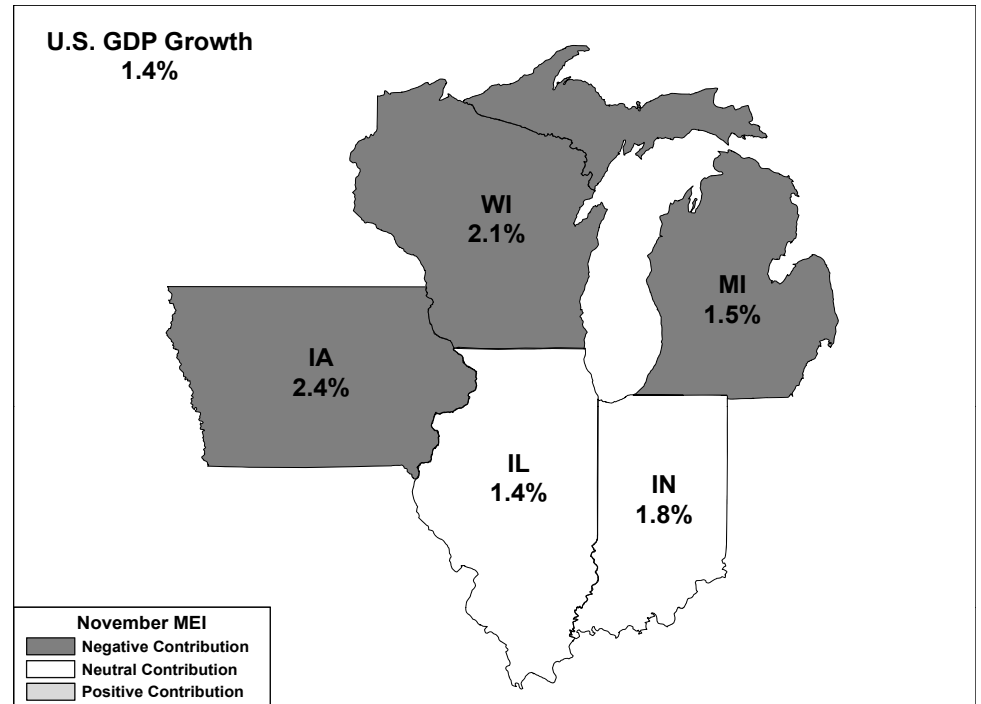
**FEDERAL RESERVE BANK
 OF CHICAGO**

Midwest Economy Index

Index shows Midwest growth improved in November

The Midwest Economy Index (MEI) increased to -0.15 in November from -0.30 in October and remained below its historical trend for the fourth consecutive month. However, Midwest growth outperformed its historical deviation with respect to national growth, as the relative MEI increased to $+0.04$ in November from -0.32 in October. Estimates of annual growth in gross state product for the five Seventh District states were at or above the national rate of growth through the third quarter of 2011.

MEI, GSP Growth, and the Seventh Federal Reserve District States



Notes: 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). The values displayed in the states are the forecasts of annual growth in real gross state product (GSP) using data through the third quarter of 2011. U.S. GDP growth indicates annual real gross domestic product growth over the same period.

Sectoral and Geographic Contributions to the MEI and Relative MEI

November 2011

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
MEI							
Manufacturing	0.09	0.01	0.03	0.03	0.04	0.01	0.21
Construction	-0.06	0.01	-0.02	-0.05	-0.05	-0.01	-0.19
Services	0.00	0.00	-0.06	0.00	-0.06	0.00	-0.13
Consumer	-0.03	-0.01	-0.01	0.00	0.00	0.01	-0.03
	0.00	0.00	-0.06	-0.02	-0.08	0.01	-0.15

Relative MEI

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	0.23	0.01	0.06	0.07	0.05	0.00	0.42
Construction	-0.05	0.06	-0.01	-0.04	-0.05	0.00	-0.08
Services	0.05	-0.07	-0.11	0.02	-0.20	0.00	-0.32
Consumer	-0.02	0.03	-0.01	0.01	0.01	-0.01	0.01
	0.21	0.03	-0.07	0.06	-0.19	-0.01	0.04

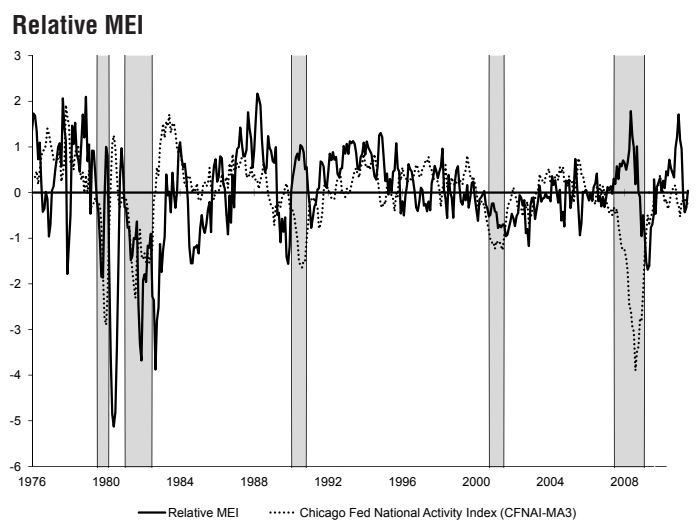
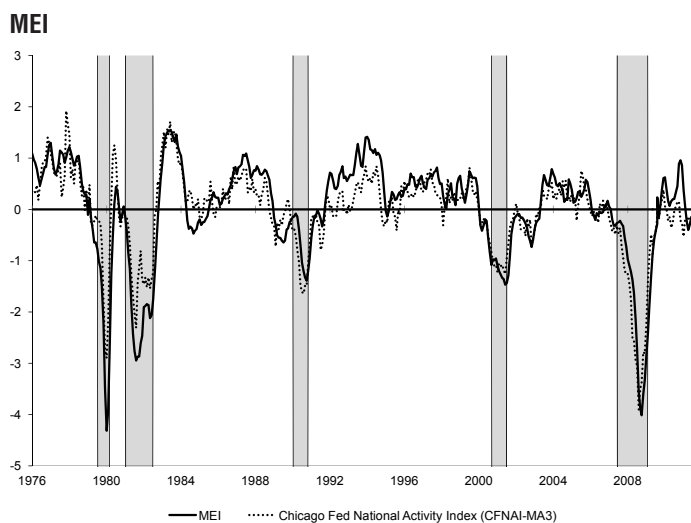
Notes: The table summarizes the most recent contribution to the MEI and relative MEI by sector and geography. The sectoral (rows) and geographic (columns) contributions may not sum to the index in each time period because of rounding. Manufacturing and construction and mining are composed of production 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 decreased slightly to +0.21 in November from +0.22 in October. However, manufacturing remained the only sector to make a positive contribution to the index in November. The pace of manufacturing activity decreased in Iowa, Michigan, and Wisconsin, but increased in Illinois and was steady in Indiana. Manufacturing's contribution to the relative MEI was higher in November, edging up to +0.42 from +0.40 in the previous month.

The construction and mining sector's contribution to the MEI edged down to -0.19 in November from -0.18 in October. The pace of construction and mining activity decreased in Iowa and Michigan, but increased in Indiana and was steady in Illinois and Wisconsin. Construction and mining's contribution to the relative MEI also decreased slightly in November, moving down to -0.08 from -0.07 in October.

The service sector contributed -0.13 to the MEI in November, up from -0.17 in October. Most of the increase came from improvements in Indiana, though the pace of service sector activity was also higher in Illinois and Michigan. These gains were slightly offset by the lower pace of activity in Iowa and Wisconsin. The service sector's contribution to the relative MEI also improved in November, moving up to -0.32 from -0.48 in the previous month.

The contribution from consumer spending indicators to the MEI increased to -0.03 in November from -0.17 in October, recording its largest month-to-month gain since June 2009. Consumer spending indicators were up in all five Seventh District states. Consumer spending's contribution to the relative MEI was also higher in November, increasing to +0.01 from -0.17 in October.



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.

2012 MEI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>	<i>GSP Growth Forecasts through</i>
<i>January 31, 2012</i>	<i>December 2011</i>	
<i>March 30, 2012</i>	<i>January 2012</i>	<i>2011:Q4</i>
<i>April 30, 2012</i>	<i>February/March 2012</i>	
<i>May 29, 2012</i>	<i>April 2012</i>	
<i>June 29, 2012</i>	<i>May 2012</i>	<i>2012:Q1</i>
<i>July 30, 2012</i>	<i>June 2012</i>	
<i>August 28, 2012</i>	<i>July 2012</i>	
<i>September 28, 2012</i>	<i>August 2012</i>	<i>2012:Q2</i>
<i>October 29, 2012</i>	<i>September 2012</i>	
<i>November 30, 2012</i>	<i>October 2012</i>	
<i>December 28, 2012</i>	<i>November 2012</i>	<i>2012:Q3</i>

MEI historical data and background information are available at www.chicagofed.org/mei.