

## News Release

Embargoed for release:  
8:30 am Eastern Time  
7:30 am Central Time  
November 30, 2012

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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 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:  
December 28, 2012  
8:30 am Eastern Time  
7:30 am Central Time

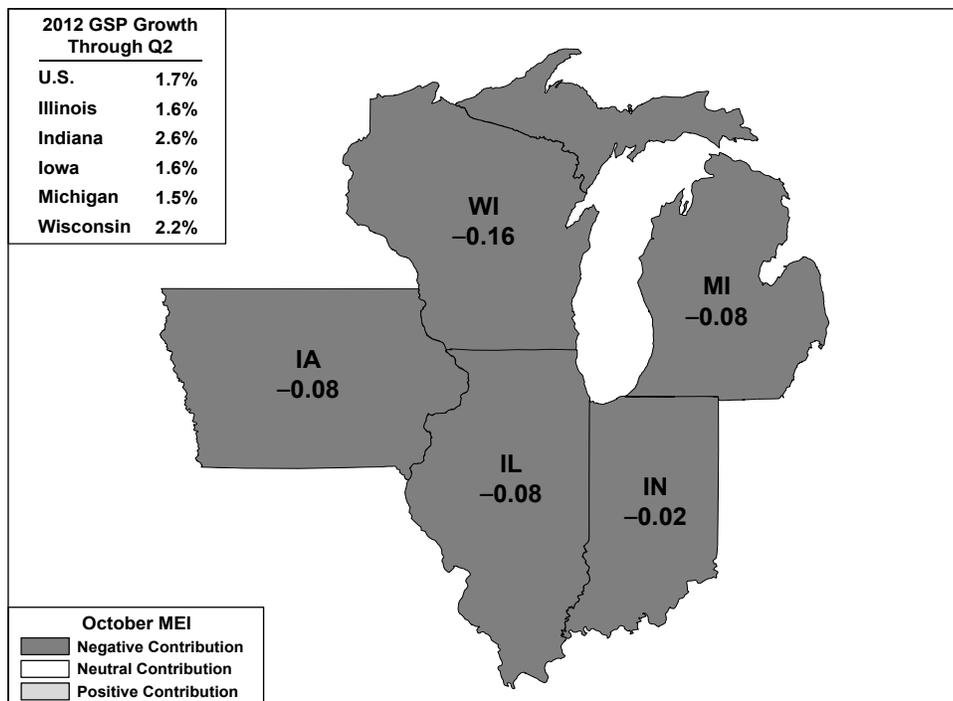
FEDERAL RESERVE BANK  
OF CHICAGO

# Midwest Economy Index

## Index shows Midwest economic growth improved in October

Although the Midwest Economy Index (MEI) improved to  $-0.43$  in October from  $-0.55$  in September, it remained negative for the fourth consecutive month. The relative MEI decreased to  $-0.14$  in October from  $-0.05$  in September, primarily on account of declines in the Midwest's manufacturing sector.

### 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 table within the map are the year-to-date forecasts of annual growth in real gross state product (GSP) using data through the second quarter of 2012. U.S. GSP growth indicates year-to-date annual real gross domestic product growth over the same period.

### Sectoral and Geographic Contributions to the MEI and Relative MEI

#### October 2012

##### MEI

|               | Illinois     | Indiana      | Iowa         | Michigan     | Wisconsin    | Regional     |              |
|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Manufacturing | -0.03        | 0.00         | -0.01        | -0.01        | -0.09        | -0.01        | -0.14        |
| Construction  | -0.03        | 0.00         | -0.02        | -0.02        | -0.02        | -0.01        | -0.08        |
| Services      | -0.01        | 0.02         | -0.02        | -0.02        | -0.02        | 0.00         | -0.05        |
| Consumer      | -0.01        | -0.04        | -0.04        | -0.03        | -0.04        | 0.01         | -0.16        |
|               | <b>-0.08</b> | <b>-0.02</b> | <b>-0.08</b> | <b>-0.08</b> | <b>-0.16</b> | <b>-0.01</b> | <b>-0.43</b> |

##### Relative MEI

|               | Illinois    | Indiana     | Iowa         | Michigan    | Wisconsin    | Regional     |              |
|---------------|-------------|-------------|--------------|-------------|--------------|--------------|--------------|
| Manufacturing | 0.04        | 0.01        | -0.01        | 0.02        | -0.11        | 0.01         | -0.04        |
| Construction  | -0.01       | 0.04        | -0.03        | 0.02        | 0.01         | 0.00         | 0.03         |
| Services      | 0.01        | 0.09        | -0.02        | -0.02       | -0.04        | 0.00         | 0.02         |
| Consumer      | -0.01       | -0.04       | -0.03        | -0.02       | -0.04        | -0.02        | -0.16        |
|               | <b>0.03</b> | <b>0.10</b> | <b>-0.08</b> | <b>0.01</b> | <b>-0.18</b> | <b>-0.02</b> | <b>-0.14</b> |

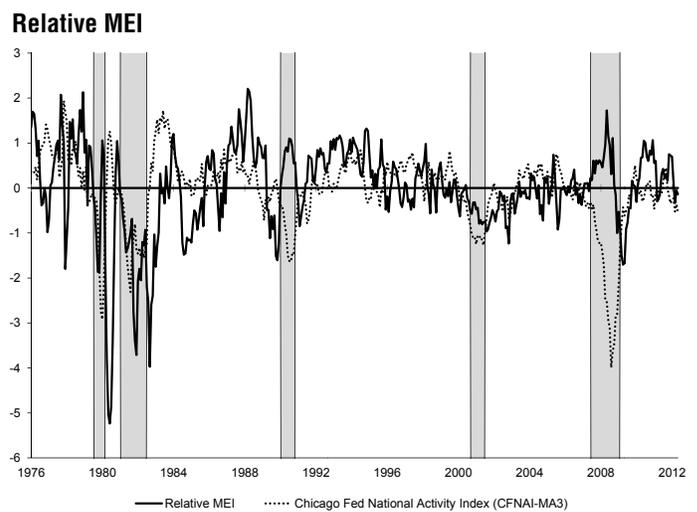
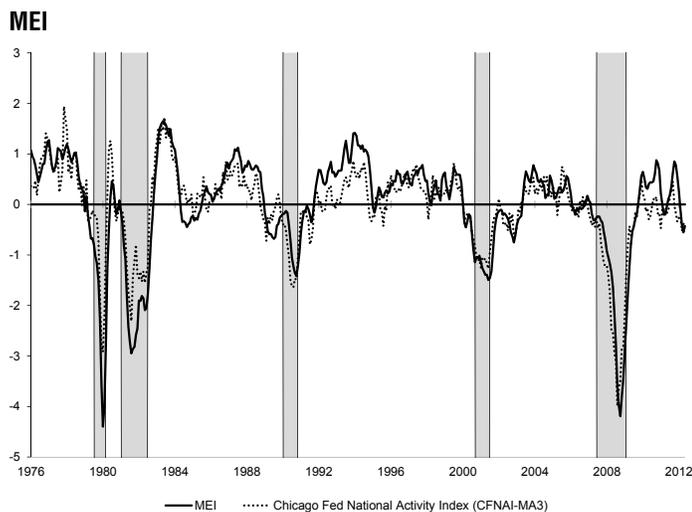
Notes: The table summarizes the most recent contribution to the MEI and relative MEI by sector and geography. The sectoral (rows) and geographic (columns) contributions may not sum to the index in each time period because of rounding. Manufacturing and construction and mining are composed of production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

Manufacturing's contribution to the MEI decreased to  $-0.14$  in October from  $-0.09$  in September, marking its second consecutive negative contribution. The pace of manufacturing activity decreased in Illinois, Iowa, and Wisconsin, but increased in Michigan and was unchanged in Indiana. Manufacturing's contribution to the relative MEI declined to  $-0.04$  in October from  $+0.18$  in September.

The construction and mining sector's contribution to the MEI moved up to  $-0.08$  in October from  $-0.15$  in September. The pace of construction and mining activity increased in Illinois, Indiana, Iowa, and Wisconsin, but decreased in Michigan. Construction and mining's contribution to the relative MEI increased to  $+0.03$  in October from  $-0.04$  in September, recording its first positive value since December 2008.

The service sector contributed  $-0.05$  to the MEI in October, up slightly from  $-0.07$  in September. The pace of service sector activity was higher in Indiana and Wisconsin, but lower in Iowa and Michigan and steady in Illinois. The service sector's contribution to the relative MEI decreased slightly to  $+0.02$  in October from  $+0.03$  in September.

The contribution from consumer spending indicators to the MEI increased to  $-0.16$  in October from  $-0.24$  in September. Consumer spending indicators were up in all five Seventh District states. Consumer spending's contribution to the relative MEI improved to  $-0.16$  in October from  $-0.21$  in September.



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 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.

### 2012/2013 MEI Release Dates

| <i>Date of Release</i>    | <i>Monthly Data for</i>    | <i>GSP Growth Forecasts through</i> |
|---------------------------|----------------------------|-------------------------------------|
| <b>December 28, 2012</b>  | <b>November 2012</b>       | <b>2012:Q3</b>                      |
| <b>January 31, 2013</b>   | <b>December 2012</b>       |                                     |
| <b>March 29, 2013</b>     | <b>January 2013</b>        | <b>2012:Q4</b>                      |
| <b>April 26, 2013</b>     | <b>February/March 2013</b> |                                     |
| <b>May 30, 2013</b>       | <b>April 2013</b>          |                                     |
| <b>June 28, 2013</b>      | <b>May 2013</b>            | <b>2013:Q1</b>                      |
| <b>July 29, 2013</b>      | <b>June 2013</b>           |                                     |
| <b>August 29, 2013</b>    | <b>July 2013</b>           |                                     |
| <b>September 30, 2013</b> | <b>August 2013</b>         | <b>2013:Q2</b>                      |
| <b>October 31, 2013</b>   | <b>September 2013</b>      |                                     |
| <b>November 29, 2013</b>  | <b>October 2013</b>        |                                     |
| <b>December 30, 2013</b>  | <b>November 2013</b>       | <b>2013:Q3</b>                      |

**MEI historical data and background information are available at [www.chicagofed.org/mei](http://www.chicagofed.org/mei).**