

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
May 31, 2011

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What is the Midwest Economy Index?

The index is a weighted average of 128 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:
June 30, 2011
8:30 am Eastern Time
7:30 am Central Time

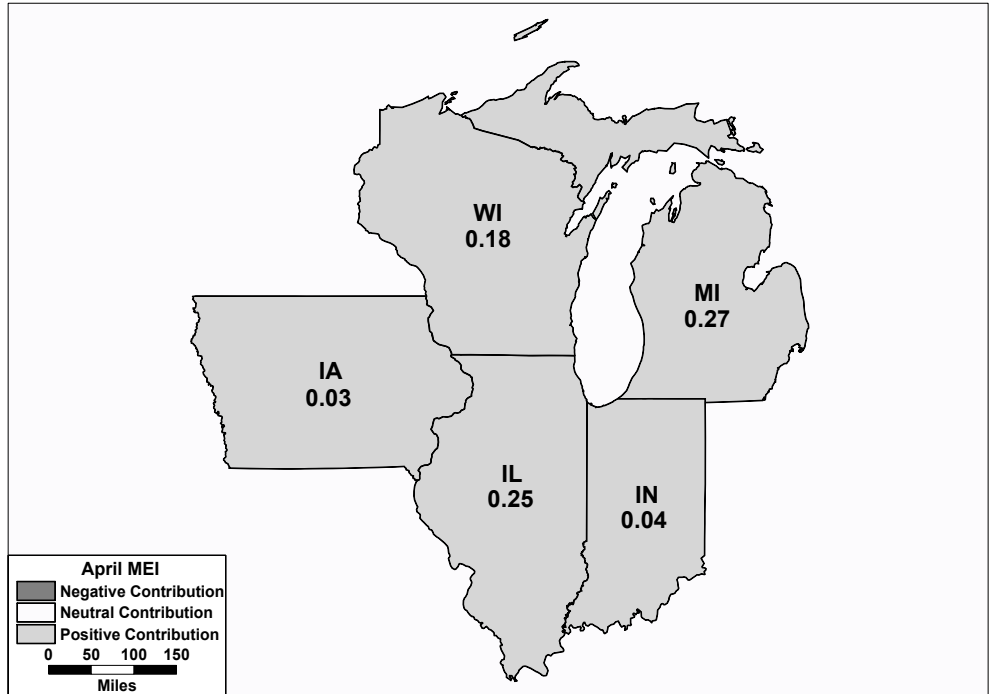
**FEDERAL RESERVE BANK
 OF CHICAGO**

Midwest Economy Index

Index shows the pace of Midwest growth leveled off in April

Led by gains in the manufacturing sector, the Midwest Economy Index (MEI) increased to +0.83 in April from +0.79 in March. April marked the highest level of the index since March 1995 and the seventh consecutive month that Midwest economic growth was above its historical trend. In addition, Midwest growth continued to outperform its historical deviation with respect to national growth, as the relative MEI increased to +1.06 in April from +0.81 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

April 2011

MEI

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	0.22	0.03	0.03	0.20	0.19	0.06	0.73
Construction	-0.04	-0.03	-0.02	-0.05	-0.05	-0.01	-0.21
Services	0.05	-0.01	0.00	0.08	0.02	0.00	0.14
Consumer	0.02	0.06	0.02	0.04	0.02	0.00	0.17
	0.25	0.04	0.03	0.27	0.18	0.05	0.83

Relative MEI

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	0.34	0.02	0.05	0.25	0.26	-0.02	0.88
Construction	-0.02	0.02	-0.01	-0.04	-0.06	-0.01	-0.12
Services	0.09	-0.03	-0.01	0.12	0.07	0.00	0.25
Consumer	-0.01	0.00	0.02	0.02	0.02	0.00	0.04
	0.40	0.01	0.04	0.36	0.28	-0.03	1.06

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.

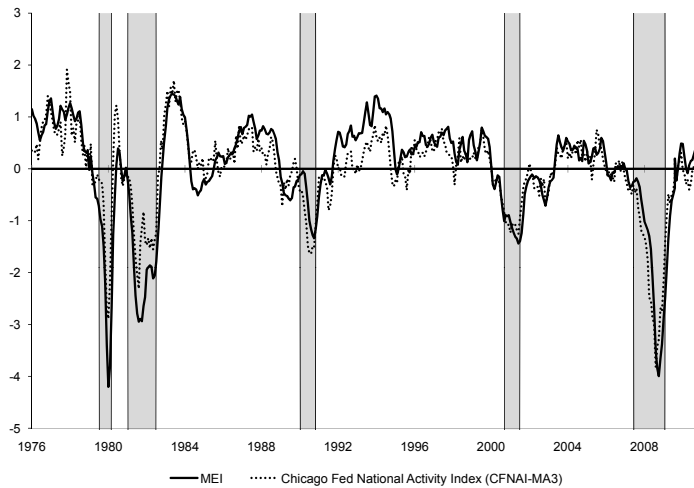
Manufacturing's contribution to the MEI improved to +0.73 in April from +0.63 in March. April's contribution was the manufacturing sector's largest to the index since January 1984. Iowa, Michigan, and Wisconsin made gains in manufacturing activity in April, while the pace of April's manufacturing activity was steady in Illinois and Indiana. Manufacturing's contribution to the relative MEI also increased, rising to +0.88 in April from +0.70 in the previous month.

The construction and mining sector's contribution to the MEI decreased to -0.21 in April from -0.19 in March. Indiana and Michigan experienced a decrease in construction and mining activity, while activity was up in Iowa and Wisconsin and unchanged in Illinois. Construction and mining's contribution to the relative MEI also decreased in April, edging lower to -0.12 from -0.09 in the previous month.

The service sector contributed +0.14 to the MEI in April, down slightly from +0.15 in March. April marked the second consecutive month that the service sector made a positive contribution to the index. Only Iowa saw a slight decline in service sector activity. The service sector's contribution to the relative MEI actually improved, rising to +0.25 in April from +0.21 in the previous month.

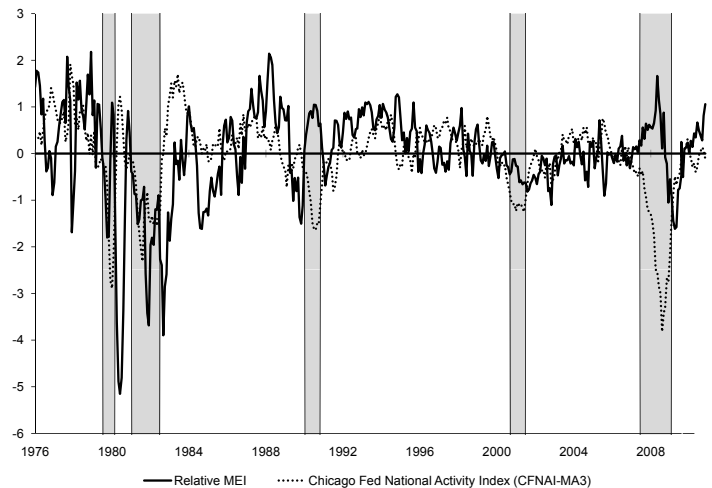
The contribution from consumer spending to the MEI was +0.17 in April, down from +0.20 in March. Consumer spending indicators for Illinois, Wisconsin, and Michigan experienced a small decline, while Indiana's improved and Iowa's held steady. However, consumer spending's contribution to the relative MEI edged higher to +0.04 in April from -0.01 in March.

MEI



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.

Relative MEI



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 128 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>June 30, 2011</i>	<i>May 2011</i>
<i>July 29, 2011</i>	<i>June 2011</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>