

News Release

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

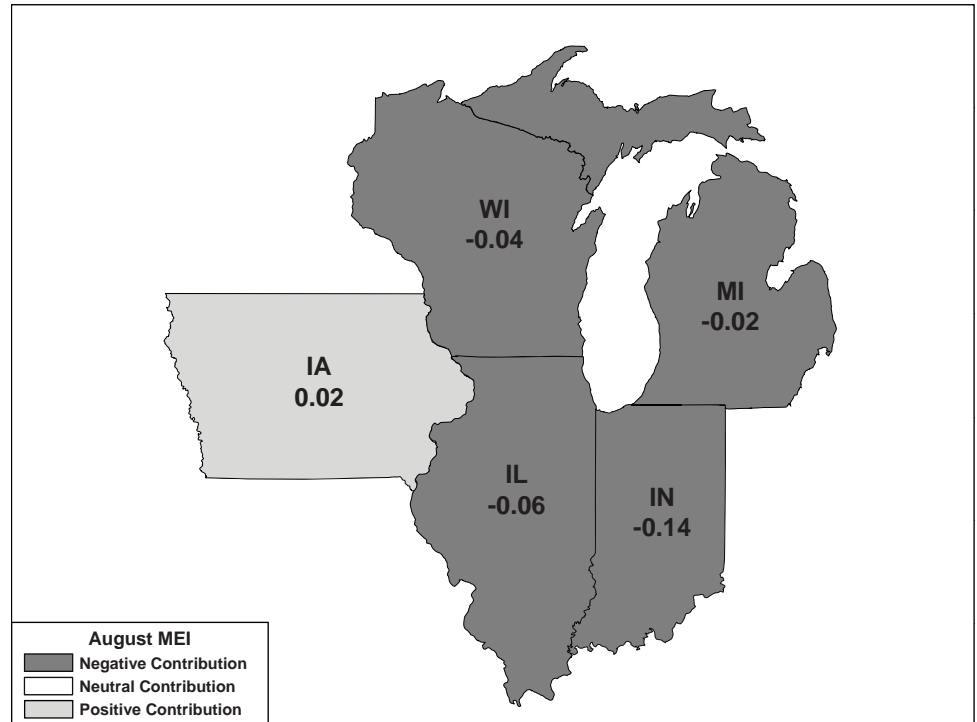
**FEDERAL RESERVE BANK
 OF CHICAGO**

Midwest Economy Index

Index shows Midwest economic growth weakened in August

The Midwest Economy Index (MEI) decreased to -0.24 in August from $+0.01$ in July, marking the first time that the index has indicated below-average Midwest growth in 18 months. The relative MEI decreased to 0.00 in August, down from $+0.92$ in the previous month and its lowest value since June 2010.

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 in the Seventh Federal Reserve District (Illinois, Indiana, Iowa, Michigan, and Wisconsin).

Sectoral and Geographic Contributions to the MEI and Relative MEI

August 2011

MEI

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	0.08	0.00	0.07	0.05	0.06	0.01	0.27
Construction	-0.03	-0.04	-0.01	0.00	-0.04	-0.01	-0.12
Services	-0.05	-0.08	-0.02	-0.03	-0.02	0.00	-0.21
Consumer	-0.05	-0.02	-0.02	-0.05	-0.04	0.00	-0.18
	-0.06	-0.14	0.02	-0.02	-0.04	0.00	-0.24

Relative MEI

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	0.22	0.00	0.10	0.08	0.13	0.01	0.53
Construction	0.00	-0.02	0.02	0.06	0.00	0.00	0.06
Services	-0.17	-0.14	-0.01	-0.04	-0.04	0.00	-0.40
Consumer	-0.05	-0.02	-0.02	-0.05	-0.05	0.00	-0.19
	0.00	-0.17	0.08	0.06	0.03	0.00	0.00

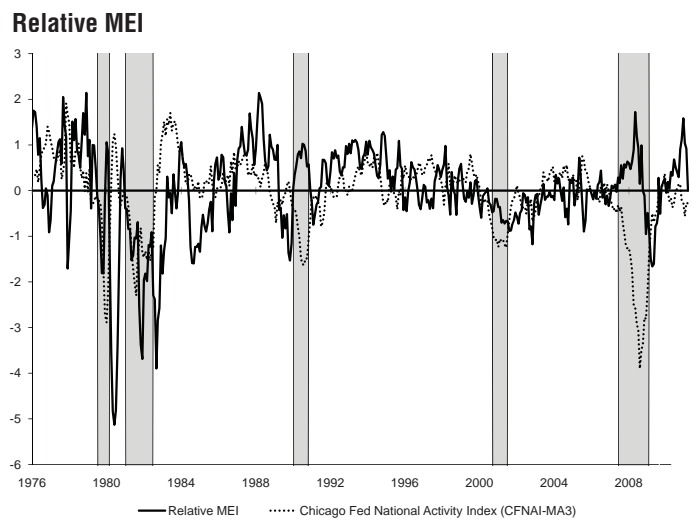
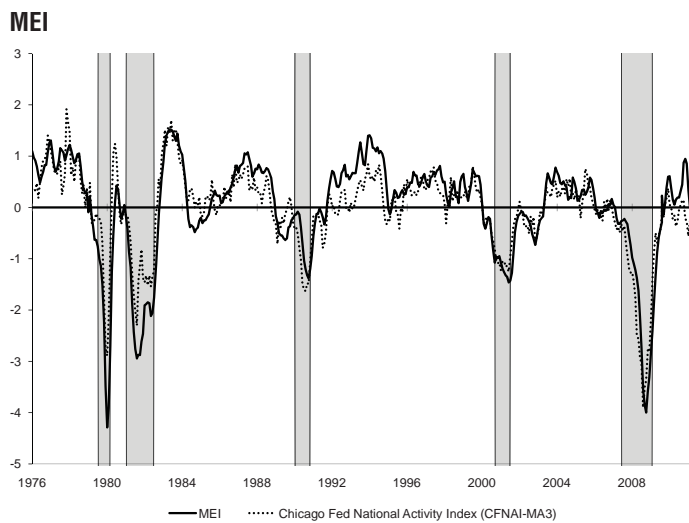
Notes: The table summarizes the most recent contribution to the MEI and relative MEI by sector and geography. The sectoral (rows) and geographic (columns) contributions may not sum to the index in each time period because of rounding. Manufacturing and construction and mining are composed of production 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 +0.27 in August from +0.40 in July, but manufacturing remained the only sector to make a positive contribution to the index in August. The pace of manufacturing activity decreased in Illinois, Iowa, Michigan, and Wisconsin, but was steady in Indiana. Manufacturing's contribution to the relative MEI was also lower in August, declining to +0.53 from +0.93 in the previous month.

The construction and mining sector's contribution to the MEI edged up to -0.12 in August from -0.15 in July. The pace of construction and mining activity increased in Illinois, Indiana, and Michigan. Construction and mining's contribution to the relative MEI also improved in August, moving up to +0.06 from -0.03 in July mostly on the basis of gains in Michigan.

The service sector contributed -0.21 to the MEI in August, down from -0.15 in July. The pace of service sector activity was markedly lower in Indiana and less so in Iowa, while it was steady in Illinois, Michigan, and Wisconsin. The service sector's contribution to the relative MEI experienced the largest decline in August, dropping to -0.40 from +0.03 in the previous month.

The contribution from consumer spending indicators to the MEI was -0.18 in August, down from -0.08 in July. The deterioration in consumer spending indicators was geographically broad based. Consumer spending's contribution to the relative MEI also decreased to -0.19 in August, down from 0.00 in July.



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>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>