

# News Release

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

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

# Midwest Economy Index

## Index shows Midwest growth strengthened in January

The Midwest Economy Index (MEI) increased to +0.36 in January from +0.20 in December, reaching its highest level since May 2011. Midwest growth continued to outperform its historical deviation with respect to national growth, but the relative MEI decreased to +0.31 in January from +0.45 in December. Estimates of annual growth in gross state product for the five Seventh District states have been updated through the fourth quarter of 2011, and are contained in this release. For more information, please see the accompanying blog entry at <http://midwest.chicagofedblogs.org/archives/2012/03/updatedestimates.html>.

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

#### 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?

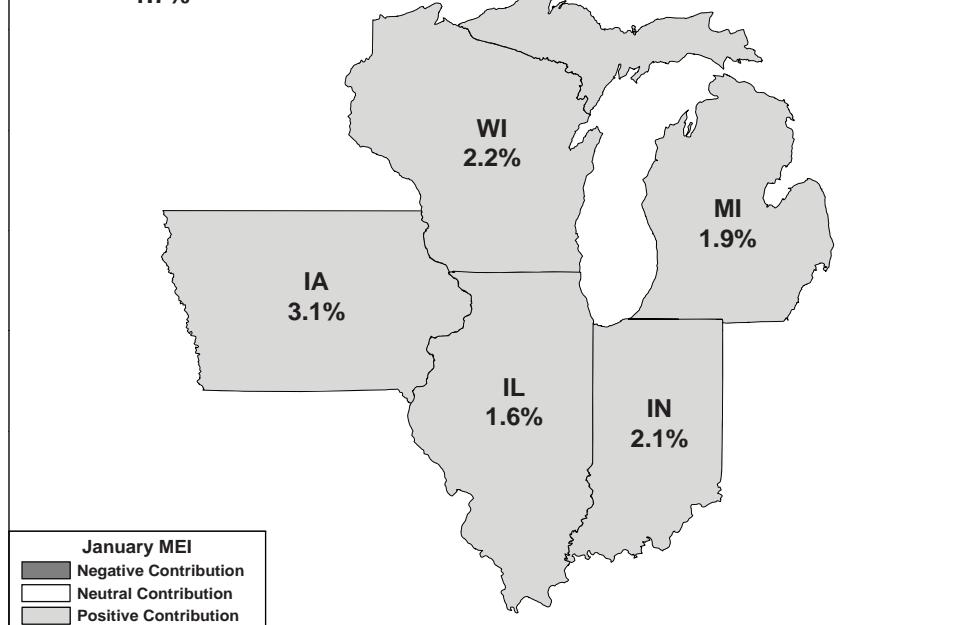
Over long periods, growth in Midwest economic activity has tended to coincide with growth in national economic activity. However, over shorter periods of time this has not always been the case. To highlight such differences, we construct two separate index values. The MEI captures both national and regional 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.

#### U.S. GDP Growth

1.7%



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 fourth 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

#### January 2012

##### MEI

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	0.10	-0.01	0.07	0.03	0.08	0.04	0.31
Construction	-0.05	-0.01	0.00	-0.05	-0.02	-0.01	-0.14
Services	0.02	0.03	-0.03	0.05	-0.05	0.00	0.03
Consumer	0.03	0.03	0.03	0.04	0.02	0.01	0.15
	<b>0.10</b>	<b>0.04</b>	<b>0.07</b>	<b>0.07</b>	<b>0.03</b>	<b>0.04</b>	<b>0.36</b>

##### Relative MEI

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	0.17	0.05	0.07	0.02	0.05	0.01	0.36
Construction	-0.04	0.01	0.00	-0.05	-0.01	0.00	-0.10
Services	-0.01	0.05	-0.06	0.07	-0.13	0.00	-0.09
Consumer	0.03	0.02	0.03	0.03	0.03	0.00	0.14
	<b>0.15</b>	<b>0.13</b>	<b>0.03</b>	<b>0.07</b>	<b>-0.07</b>	<b>0.00</b>	<b>0.31</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.

#### The next MEI will be released:

April 30, 2012  
8:30 am Eastern Time  
7:30 am Central Time

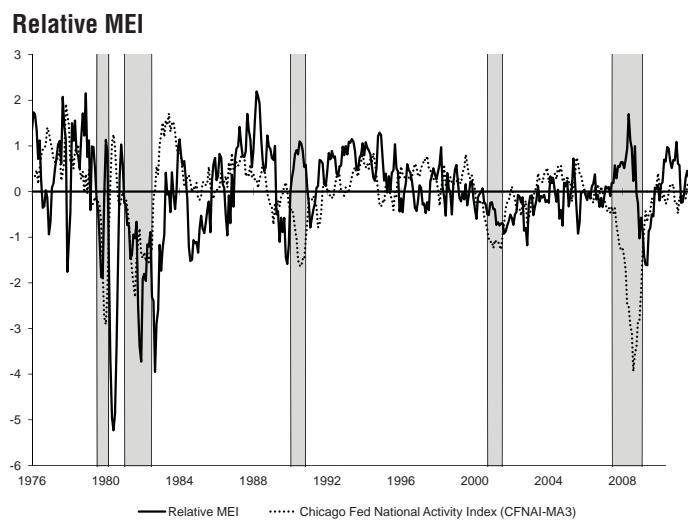
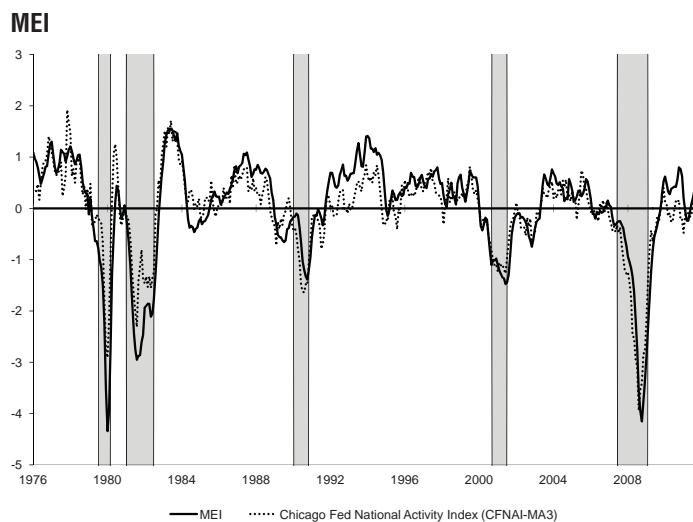
FEDERAL RESERVE BANK  
OF CHICAGO

Manufacturing's contribution to the MEI increased to +0.31 in January from +0.24 in December. The pace of manufacturing activity increased in Iowa, Michigan, and Wisconsin, but decreased in Indiana and was steady in Illinois. Manufacturing's contribution to the relative MEI edged down to +0.36 in January from +0.39 in December.

The construction and mining sector's contribution to the MEI increased to -0.14 in January from -0.16 in December. The pace of construction and mining activity increased in Iowa and Wisconsin, but decreased in Illinois and was steady in Indiana and Michigan. Construction and mining's contribution to the relative MEI was unchanged at -0.10 in January.

The service sector contributed +0.03 to the MEI in January, up from -0.01 in December. The pace of service sector activity was higher in Indiana and Iowa, but lower in Illinois and unchanged in Michigan and Wisconsin. The service sector's contribution to the relative MEI decreased to -0.09 in January from zero in the previous month.

The contribution from consumer spending indicators to the MEI increased to +0.15 in January from +0.13 in December. Consumer spending indicators were up in Illinois, Indiana, and Michigan, but were unchanged in Iowa and Wisconsin. Consumer spending's contribution to the relative MEI was slightly lower in January, decreasing to +0.14 from +0.16 in December.



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

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