

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
September 28, 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:
October 29, 2012
8:30 am Eastern Time
7:30 am Central Time

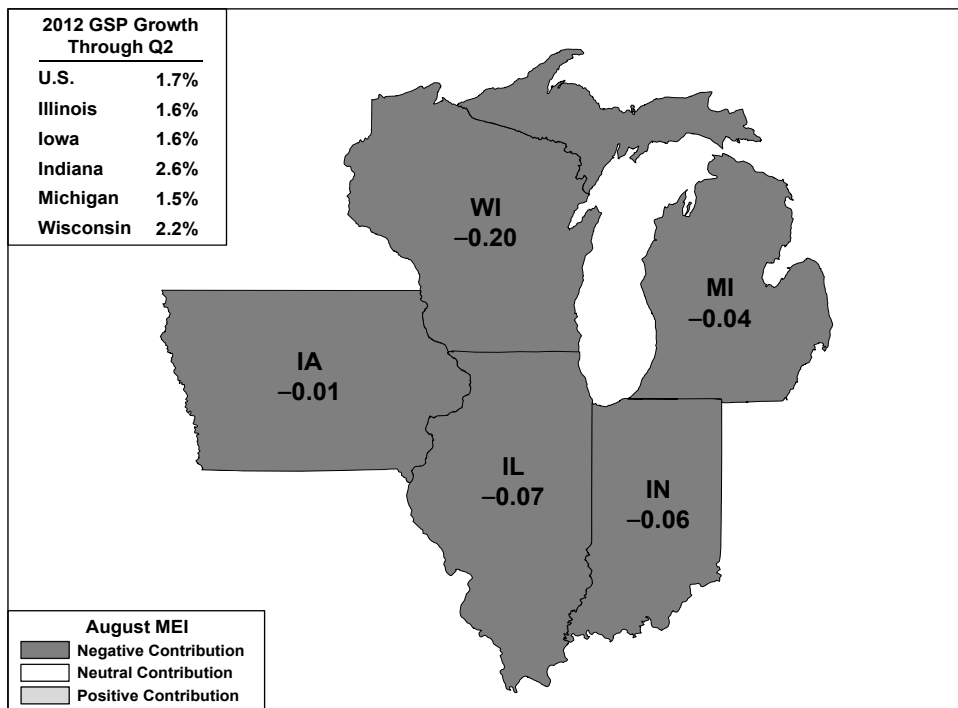
**FEDERAL RESERVE BANK
 OF CHICAGO**

Midwest Economy Index

Index shows Midwest economic growth weakened in August

The Midwest Economy Index (MEI) decreased to -0.38 in August from -0.11 in July, reaching its lowest value since December 2009. The relative MEI declined from $+0.05$ in July to -0.30 in August—its lowest value since August 2011. Estimates of annual growth in gross state product for the five Seventh District states were updated through the second quarter of 2012 in this release. Estimates for Illinois, Iowa, and Michigan were slightly below the national rate of growth, while those for Indiana and Wisconsin were higher.

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

August 2012

MEI

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	0.03	0.02	0.06	0.02	0.00	0.01	0.14
Construction	-0.05	-0.02	-0.04	-0.04	-0.08	-0.01	-0.25
Services	-0.02	-0.01	0.00	0.02	-0.07	0.00	-0.07
Consumer	-0.02	-0.05	-0.04	-0.04	-0.05	0.00	-0.20
	-0.07	-0.06	-0.01	-0.04	-0.20	0.00	-0.38

Relative MEI

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	0.12	0.02	0.03	0.06	0.02	-0.02	0.24
Construction	-0.03	0.02	-0.06	-0.03	-0.07	0.00	-0.18
Services	-0.05	-0.01	-0.01	0.02	-0.10	0.00	-0.15
Consumer	-0.03	-0.06	-0.03	-0.02	-0.05	-0.01	-0.20
	0.01	-0.03	-0.07	0.02	-0.20	-0.03	-0.30

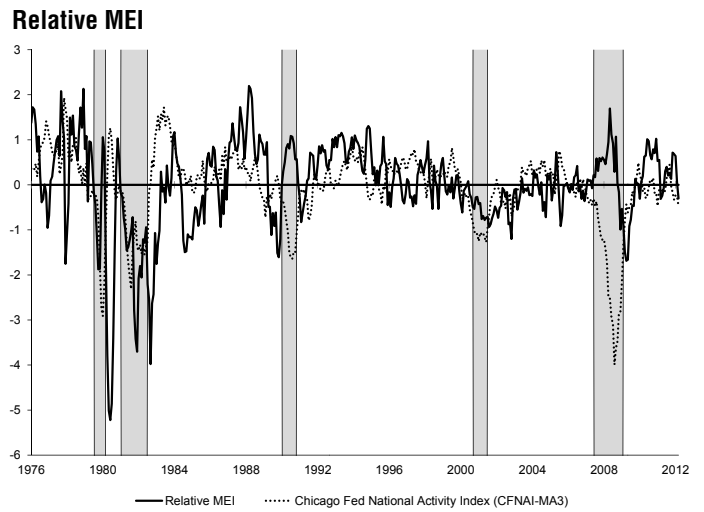
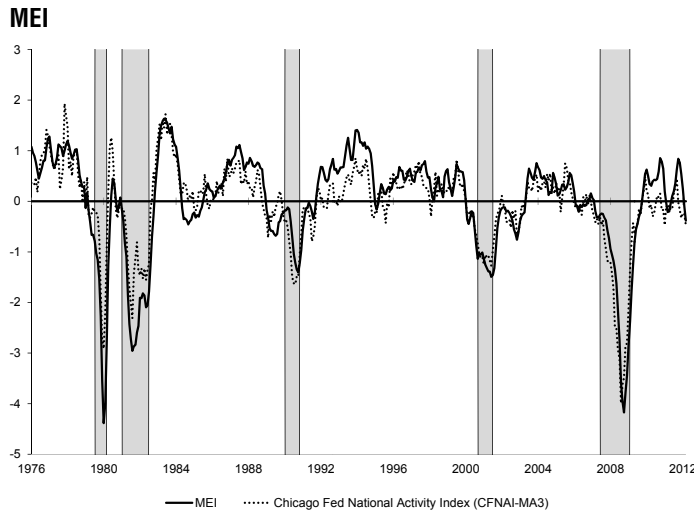
Notes: The table summarizes the most recent contribution to the MEI and relative MEI by sector and geography. The sectoral (rows) and geographic (columns) contributions may not sum to the index in each time period because of rounding. Manufacturing and construction and mining are composed of production 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 August from +0.32 in July. The pace of manufacturing activity decreased in Iowa, Michigan, and Wisconsin, while it was unchanged in Illinois and Indiana. Manufacturing's contribution to the relative MEI decreased to +0.24 in August from +0.49 in July.

The construction and mining sector's contribution to the MEI moved up to -0.25 in August from -0.30 in July. The pace of construction and mining activity improved in Illinois, Michigan, and Wisconsin, but deteriorated in Iowa and was unchanged in Indiana. Construction and mining's contribution to the relative MEI increased to -0.18 in August from -0.25 in July.

The service sector contributed -0.07 to the MEI in August, down slightly from -0.06 in July. The pace of service sector activity was lower in Illinois, Michigan, and Wisconsin, but was higher in Iowa and steady in Indiana. The service sector's contribution to the relative MEI was unchanged at -0.15 in August.

The contribution from consumer spending indicators to the MEI decreased to -0.20 in August from -0.06 in July. Consumer spending indicators were down in all five Seventh District states. Consumer spending's contribution to the relative MEI decreased to -0.20 in August from -0.04 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 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 MEI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>	<i>GSP Growth Forecasts through</i>
<i>October 29, 2012</i>	<i>September 2012</i>	<i>2012:Q3</i>
<i>November 30, 2012</i>	<i>October 2012</i>	
<i>December 28, 2012</i>	<i>November 2012</i>	