

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
December 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:

January 31, 2013
8:30 am Eastern Time
7:30 am Central Time

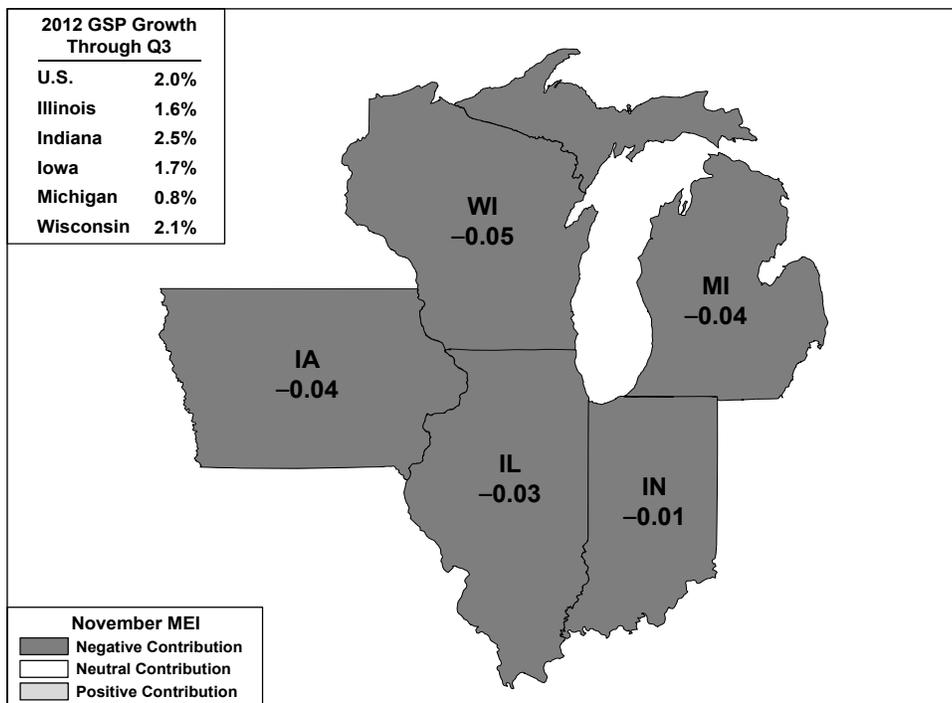
**FEDERAL RESERVE BANK
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Midwest Economy Index

Index shows Midwest economic growth improved in November

The Midwest Economy Index (MEI) improved to -0.21 in November from -0.47 in October, but remained negative for the fifth consecutive month. The relative MEI jumped to $+0.63$ in November from -0.09 in October. Estimates of annual growth in gross state product for the five Seventh District states were updated through the third quarter of 2012 in this release. Estimates for Illinois, Iowa, and Michigan were lower than 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 third 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

November 2012

MEI

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	-0.03	0.00	-0.02	0.01	-0.07	-0.04	-0.15
Construction	-0.01	-0.01	0.00	0.00	0.02	0.00	0.01
Services	0.00	0.01	-0.02	-0.05	0.00	0.00	-0.07
Consumer	0.01	-0.01	0.00	-0.01	0.00	0.00	0.00
	-0.03	-0.01	-0.04	-0.04	-0.05	-0.04	-0.21

Relative MEI

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
Manufacturing	0.10	0.02	0.04	0.05	-0.02	0.02	0.21
Construction	0.01	0.01	0.02	0.02	0.04	0.00	0.10
Services	0.08	0.12	0.00	-0.02	0.01	0.00	0.21
Consumer	0.06	0.01	0.01	0.02	0.03	-0.01	0.11
	0.25	0.16	0.07	0.08	0.07	0.01	0.63

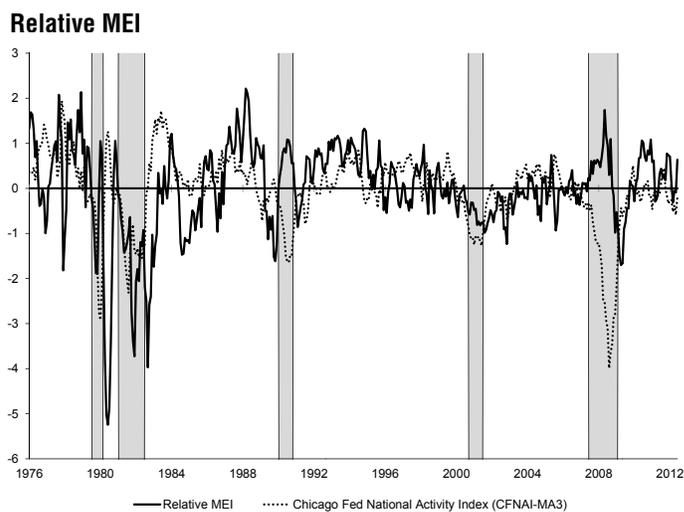
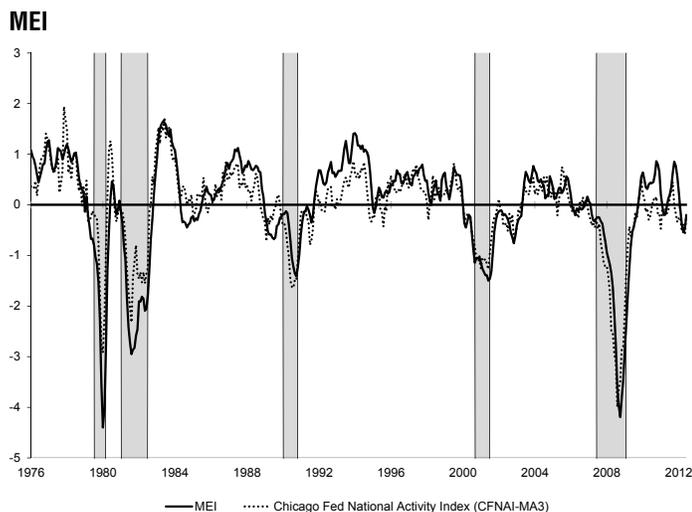
Notes: The table summarizes the most recent contribution to the MEI and relative MEI by sector and geography. The sectoral (rows) and geographic (columns) contributions may not sum to the index in each time period because of rounding. Manufacturing and construction and mining are composed of production 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 increased to -0.15 in November from -0.19 in October, marking its third consecutive negative contribution. The pace of manufacturing activity increased in Illinois, Michigan, and Wisconsin, but decreased in Iowa and was unchanged in Indiana. Manufacturing's contribution to the relative MEI increased to $+0.21$ in November from -0.03 in October.

The construction and mining sector's contribution to the MEI moved up to $+0.01$ in November from -0.08 in October. The pace of construction and mining activity increased in Illinois, Iowa, Michigan, and Wisconsin, but decreased in Indiana. Construction and mining's contribution to the relative MEI increased to $+0.10$ in November from $+0.03$ in October.

The service sector contributed -0.07 to the MEI in November, down slightly from -0.04 in October. The pace of service sector activity was lower in Indiana, Iowa, and Michigan, but higher in Illinois and Wisconsin. The service sector's contribution to the relative MEI rose to $+0.21$ in November from $+0.07$ in October.

Consumer spending indicators made a neutral contribution to the MEI in November, up from -0.16 in October. Consumer spending indicators were up in all five Seventh District states. Consumer spending's contribution to the relative MEI improved to $+0.11$ in November from -0.16 in October.



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.

2013 MEI Release Dates

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

MEI historical data and background information are available at www.chicagofed.org/mei.