

# News Release

Embargoed for release:  
8:30 am Eastern Time  
7:30 am Central Time  
October 25, 2010

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

# Midwest Economy Index

## Index shows Midwest growth slowed further in September

Growth in Midwest economic activity slowed further in September, as indicated by the MEI declining to  $-0.07$  from  $+0.12$  in August. September marked the first month the MEI indicated regional growth below its historical trend since March 2010. The Midwest, however, continued to outperform the nation, with the relative MEI still positive at  $+0.52$  in September, but down from  $+0.71$  in the previous month.

### MEI and the Seventh Federal Reserve District States

#### What is the Midwest Economy Index?

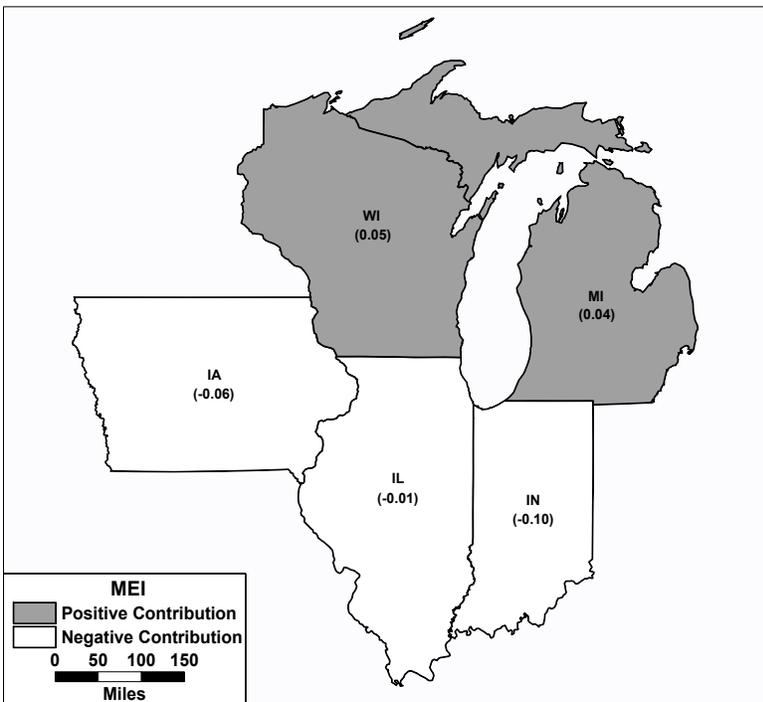
The index is a weighted average of 128 state and regional indicators encompassing the entirety of the five states in the Seventh Federal Reserve District (Illinois, Wisconsin, Michigan, Indiana, and Iowa). The index measures growth in nonfarm business activity based on indicators of four broad sectors of the Midwest economy: 1) manufacturing, 2) construction and mining, 3) services, and 4) consumer spending.

#### What do the index numbers mean?

A zero value for the index indicates that the Midwest economy is expanding at its historical trend rate of growth; negative values indicate below-average growth; and positive values indicate above-average growth.

#### 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: an absolute value and a relative value. The MEI (absolute value) captures both national and regional factors driving Midwest growth, while the relative MEI (relative value) provides a picture of Midwest growth conditions relative to those of the nation.



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, Wisconsin, Michigan, Indiana, and Iowa).

### Sectoral and Geographical Contributions to the MEI and Relative MEI

#### September 2010

| MEI           | Illinois     | Indiana      | Iowa         | Michigan    | Wisconsin   | Regional    |              |
|---------------|--------------|--------------|--------------|-------------|-------------|-------------|--------------|
| Manufacturing | 0.08         | 0.01         | 0.02         | 0.11        | 0.11        | 0.02        | 0.36         |
| Construction  | -0.09        | -0.04        | -0.02        | -0.08       | -0.05       | 0.00        | -0.29        |
| Services      | -0.02        | -0.04        | -0.05        | 0.00        | -0.01       | 0.00        | -0.13        |
| Consumer      | 0.02         | -0.02        | 0.00         | 0.01        | 0.00        | -0.02       | -0.02        |
|               | <b>-0.01</b> | <b>-0.10</b> | <b>-0.06</b> | <b>0.04</b> | <b>0.05</b> | <b>0.00</b> | <b>-0.07</b> |

#### Relative MEI

|               | Illinois    | Indiana      | Iowa         | Michigan    | Wisconsin   | Regional    |             |
|---------------|-------------|--------------|--------------|-------------|-------------|-------------|-------------|
| Manufacturing | 0.27        | 0.04         | 0.06         | 0.21        | 0.24        | -0.02       | 0.80        |
| Construction  | -0.05       | -0.02        | -0.01        | -0.05       | -0.04       | 0.00        | -0.18       |
| Services      | -0.04       | -0.05        | -0.09        | 0.05        | -0.01       | 0.00        | -0.14       |
| Consumer      | 0.04        | -0.02        | -0.02        | 0.00        | 0.00        | 0.04        | 0.05        |
|               | <b>0.21</b> | <b>-0.05</b> | <b>-0.06</b> | <b>0.21</b> | <b>0.19</b> | <b>0.03</b> | <b>0.52</b> |

The next MEI will be released:  
November 22, 2010  
8:30 am Eastern Time  
7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

Notes: The table summarizes the most recent contribution to absolute and relative growth in Midwest economic activity by sector and geography. The sectoral (in rows) and geographical (in columns) contributions sum to the index in each time period. Manufacturing and construction and mining are composed of production and employment indicators. Services contains only employment indicators, while consumer spending contains employment, unemployment, personal income, and home and retail sales indicators.

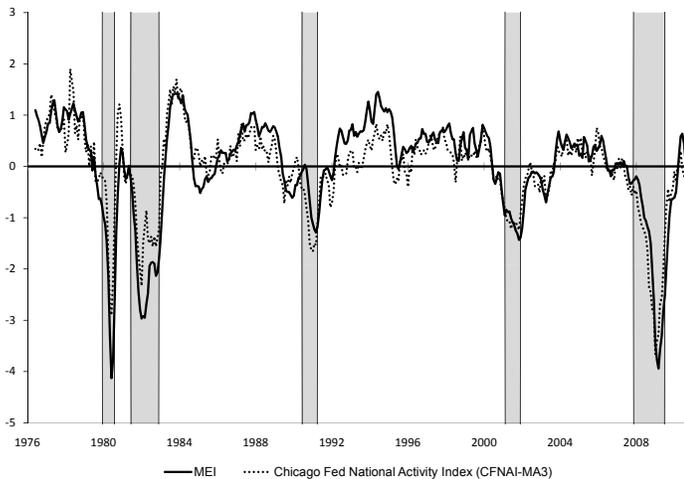
Manufacturing's contribution to the MEI decreased to +0.36 in September from +0.41 in August. This decrease was smaller than the decline in national economic activity, as manufacturing's contribution to the relative MEI edged up to +0.80 in September from +0.76 in the previous month. Indiana and Wisconsin both experienced declines in manufacturing activity, while activity in the other three Seventh District states held steady.

The service sector's contribution to the MEI was negative in September, declining to -0.13 from +0.01 in August. In relation to national economic activity, the decline was even larger, as the service sector's contribution to the relative MEI decreased to -0.14 in September from +0.03 in the previous month. The decline in activity in the service sector was regionally broad-based.

The consumer spending indicators' contribution to the MEI in September was -0.02, down from +0.03 in August. When expressed relative to the slowdown in national economic activity, their contribution to the relative MEI was +0.05 in September versus +0.12 in the previous month. Consumer spending was down in Illinois, Michigan, and Wisconsin, while it was unchanged in Indiana and Iowa.

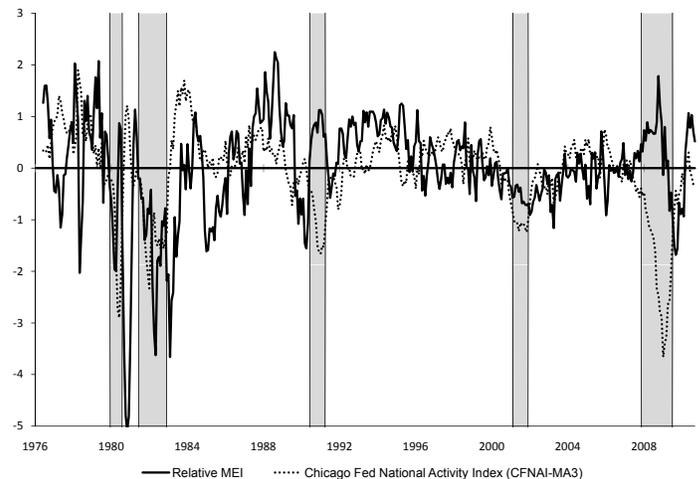
The construction and mining sector's contribution to the MEI improved slightly to -0.29 in September from -0.32 in August; while this sector's contribution to the relative MEI also increased, rising to -0.18 in September from -0.21 in the previous month. Indiana and Iowa saw the most improvement in construction and mining, while Wisconsin saw some deterioration and Illinois and Michigan were unchanged.

### 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, while CFNAI-MA3 values greater than zero indicate growth in national economic activity above its historical trend. Shading indicates official periods of recession as identified by the National Bureau of Economic Research.

### Relative MEI



Notes: The relative MEI is constructed from the standardized residuals from linear regressions of each of the 128 MEI indicators on the CFNAI-MA3. A positive value indicates, on average, stronger growth in regional versus national economic activity relative to its trend, with the magnitude measured in standard deviation units. A negative value indicates, on average, weaker growth in regional versus national economic activity relative to its trend. 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>January 27, 2011</i>   | <i>December 2010</i>    |
| <i>February 24, 2011</i>  | <i>January 2011</i>     |
| <i>March 21, 2011</i>     | <i>February 2011</i>    |
| <i>April 28, 2011</i>     | <i>March 2011</i>       |
| <i>May 23, 2011</i>       | <i>April 2011</i>       |
| <i>June 23, 2011</i>      | <i>May 2011</i>         |
| <i>July 25, 2011</i>      | <i>June 2011</i>        |
| <i>August 22, 2011</i>    | <i>July 2011</i>        |
| <i>September 26, 2011</i> | <i>August 2011</i>      |
| <i>October 24, 2011</i>   | <i>September 2011</i>   |
| <i>November 21, 2011</i>  | <i>October 2011</i>     |
| <i>December 22, 2011</i>  | <i>November 2011</i>    |