

# News Release

Embargoed for release:  
**8:30 am Eastern Time**  
**7:30 am Central Time**  
**November 30, 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:  
**December 29, 2011**  
**8:30 am Eastern Time**  
**7:30 am Central Time**

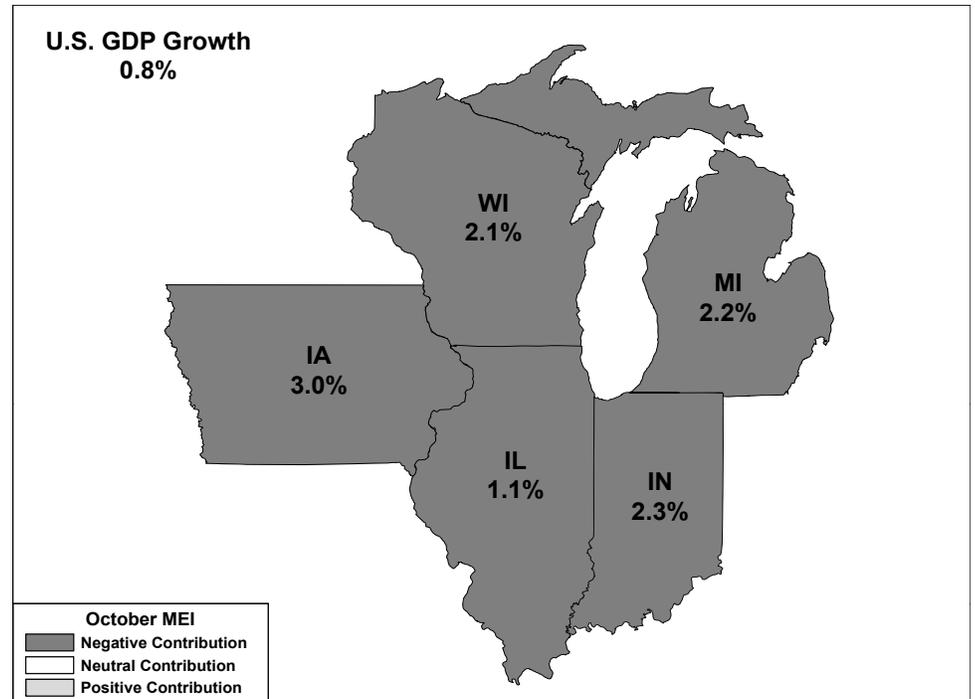
**FEDERAL RESERVE BANK  
 OF CHICAGO**

# Midwest Economy Index

## Index shows Midwest growth picked up slightly in October

The Midwest Economy Index (MEI) increased to  $-0.33$  in October from  $-0.37$  in September, improving for the first time since April of this year. The relative MEI increased to  $-0.29$  in October from  $-0.36$  in September, marking its first improvement since May of this year. Estimates of annual growth in gross state product (GSP) as described in the December 2011 *Chicago Fed Letter* (No. 293) are included in this month's release. Updated forecasts through 2011:Q3 will be made available in next month's release.

### 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 states are the forecasts of annual growth in real gross state product (GSP) using annualized data through the second quarter of 2011. U.S. GDP growth indicates annualized real gross domestic product growth over the same period.

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

#### October 2011

##### MEI

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
<b>Manufacturing</b>	0.07	0.00	0.03	0.04	0.06	0.00	<b>0.20</b>
<b>Construction</b>	-0.06	-0.01	-0.01	-0.04	-0.05	-0.01	<b>-0.18</b>
<b>Services</b>	-0.02	-0.04	-0.05	-0.01	-0.06	0.00	<b>-0.18</b>
<b>Consumer</b>	-0.06	-0.02	-0.03	-0.04	-0.03	0.01	<b>-0.16</b>
	<b>-0.07</b>	<b>-0.08</b>	<b>-0.06</b>	<b>-0.04</b>	<b>-0.08</b>	<b>0.00</b>	<b>-0.33</b>

##### Relative MEI

	Illinois	Indiana	Iowa	Michigan	Wisconsin	Regional	
<b>Manufacturing</b>	0.15	0.01	0.06	0.10	0.09	0.01	<b>0.43</b>
<b>Construction</b>	-0.05	0.04	0.00	-0.01	-0.05	0.00	<b>-0.07</b>
<b>Services</b>	-0.05	-0.15	-0.09	-0.01	-0.18	0.00	<b>-0.49</b>
<b>Consumer</b>	-0.05	-0.01	-0.03	-0.04	-0.03	-0.01	<b>-0.17</b>
	<b>0.01</b>	<b>-0.11</b>	<b>-0.07</b>	<b>0.04</b>	<b>-0.16</b>	<b>0.00</b>	<b>-0.29</b>

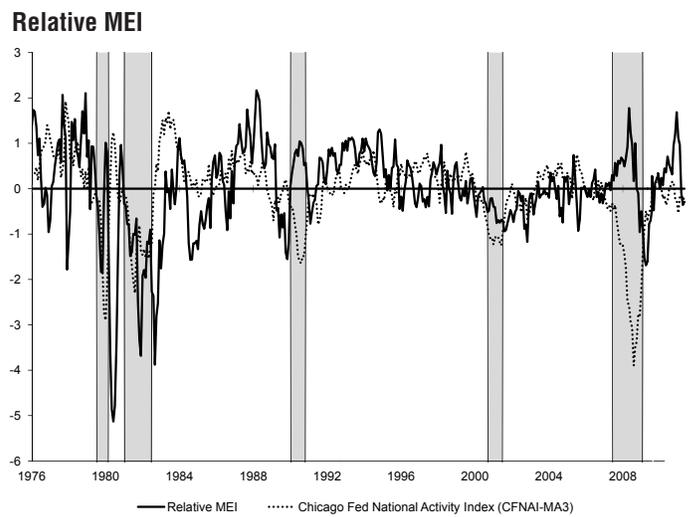
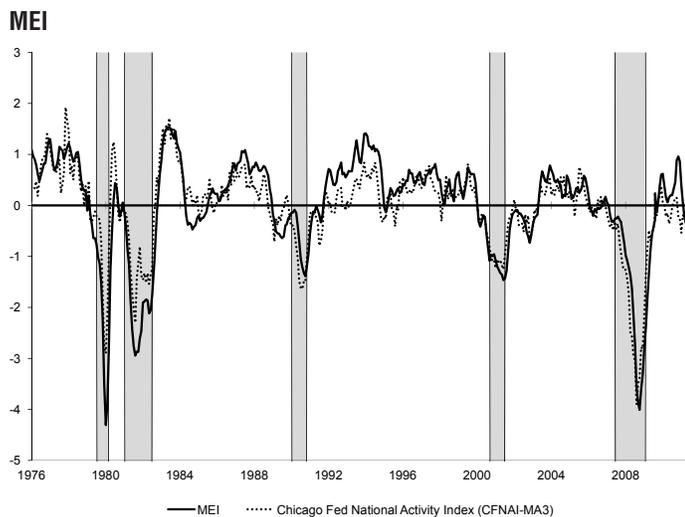
Notes: The table summarizes the most recent contribution to the MEI and relative MEI by sector and geography. The sectoral (rows) and geographic (columns) contributions may not sum to the index in each time period because of rounding. Manufacturing and construction and mining are composed of production and employment indicators. Services contains only employment indicators, while consumer spending contains employment, unemployment, per capita personal income, and home and retail sales indicators.

Manufacturing's contribution to the MEI decreased slightly to +0.20 in October from +0.23 in September. However, manufacturing remained the only sector to make a positive contribution to the index in October. The pace of manufacturing activity decreased in Iowa and Wisconsin, but increased in Illinois and Michigan and was steady in Indiana. Manufacturing's contribution to the relative MEI was also lower in October, edging down to +0.43 from +0.47 in the previous month.

The construction and mining sector's contribution to the MEI edged down to -0.18 in October from -0.17 in September. The pace of construction and mining activity decreased in Michigan and Wisconsin, but increased in Indiana and was steady in Illinois and Iowa. Construction and mining's contribution to the relative MEI also decreased in October, moving down to -0.07 from -0.03 in September.

The service sector contributed -0.18 to the MEI in October, up from -0.23 in September. The pace of service sector activity was higher in Illinois and Indiana, but the pace was steady in Michigan and slightly lower in Iowa and Wisconsin. The service sector's contribution to the relative MEI also improved in October, moving up to -0.49 from -0.54 in the previous month.

The contribution from consumer spending indicators to the MEI was -0.16 in October, up from -0.20 in September. Consumer spending indicators were up in Indiana, Michigan, and Wisconsin, but steady in Illinois and down in Iowa. Consumer spending's contribution to the relative MEI was also higher in October, increasing to -0.17 from -0.25 in September.



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 and 2012 MEI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>	<i>GSP Growth Forecasts through</i>
<b>December 29, 2011</b>	<b>November 2011</b>	<b>2011:Q3</b>
<b>January 31, 2012</b>	<b>December 2011</b>	
<b>March 29, 2012</b>	<b>January/February 2012</b>	<b>2011:Q4</b>
<b>April 30, 2012</b>	<b>March 2012</b>	
<b>May 29, 2012</b>	<b>April 2012</b>	
<b>June 28, 2012</b>	<b>May 2012</b>	<b>2012:Q1</b>
<b>July 30, 2012</b>	<b>June 2012</b>	
<b>August 28, 2012</b>	<b>July 2012</b>	
<b>September 28, 2012</b>	<b>August 2012</b>	<b>2012:Q2</b>
<b>October 29, 2012</b>	<b>September 2012</b>	
<b>November 30, 2012</b>	<b>October 2012</b>	
<b>December 28, 2012</b>	<b>November 2012</b>	<b>2012:Q3</b>

MEI historical data and background information are available at [www.chicagofed.org/mei](http://www.chicagofed.org/mei).