

Chicago Fed Midwest Manufacturing Index

Midwest Manufacturing Output Growth Continues With Rise in July

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The Chicago Fed Midwest Manufacturing Index (CFMMI) rose by a strong 0.7% from June to July, reaching a record seasonally adjusted level of 132.1 (1992=100); revised data show the index rose 0.5% in June. The Federal Reserve Board's industrial production index for manufacturing (IPMFG) increased 0.6% in July, after rising 0.1% in June. July output in the region was 6.1% higher than a year earlier. The nation's output in July was 4.3% higher than last year. Industrial output in July 1998 was lowered by the strike-induced shutdown at General Motors.

Of the four regional subsectors measured, the Midwest machinery sector showed the strongest increase, rising 1.6% in July, after having advanced by 0.7% in June. The regional steel sector also showed a very strong gain, rising 1.1% in July, after increasing 1.4% in the prior month. The Midwest auto sector rose 0.9% in July, matching its June increase. The regional resource sector was the only subsector to experience a decline in July, falling 0.4% after declining 0.1% in June.

The region's machinery sector's output gain of 1.6% in July was slightly behind the nation's 2.0% increase. The regional strength was focused in the electronic and other electrical equipment segment. In July, regional machinery output stood 5.4% above its July 1998 level, while the nation was up a stronger 12.0%.

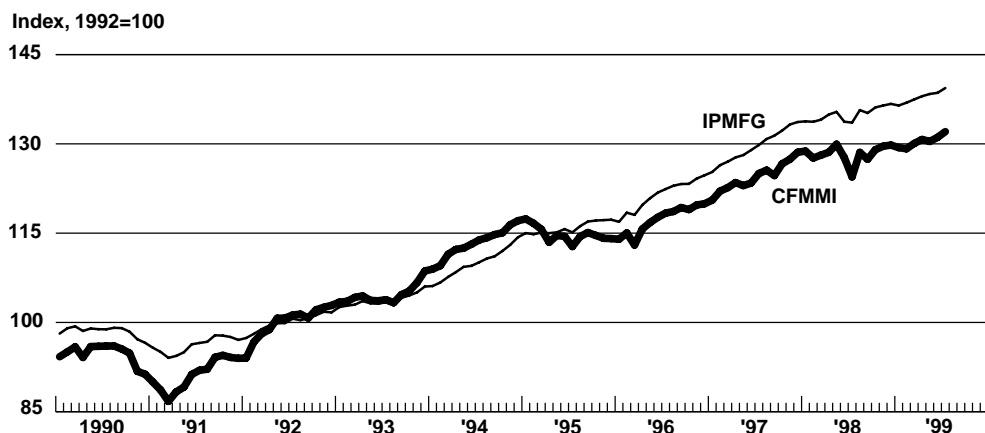
The regional steel sector's 1.1% increase in July was stronger than the 0.8% increase nationally. The Midwest steel output increase was due to gains in both primary and fabricated metals industries. In July, Midwest steel sector output was 3.7% above July 1998, more than the nation's 1.2% increase.

The regional auto sector's increase of 0.9% in July contrasted with the 0.4% decrease in the nation. Year-to-date light vehicle sales remained very strong through July, averaging a seasonally adjusted annual rate of 16.5 million units; this was 7.9% more units than were sold in the first seven months of 1998. Lean vehicle inventories have continued to drive strong production in the industry. Compared with a July 1998 that was affected by the GM strikes, July 1999 Midwest auto sector output was 21.3% higher. In contrast, the nation's auto sector output was 11.1% above July 1998.

The July decrease of 0.4% in the region's resource sector was weaker than the 0.2% gain experienced by the nation. The Midwest's resource output decrease reflected a large drop in petroleum production. This was partly due to a coker unit in Illinois that was idled for nearly 10 days due to a minor accident. Compared with a year ago, Midwest resource sector output was 0.7% higher in July, slightly less than the nation's 1.1% gain.

— William A. Strauss • Senior Economist and Economic Advisor • 312-322-8151

Chicago Fed Midwest Manufacturing Index



**The next CFMMI will be released:
Tuesday, October 12, 1999
Noon Eastern Time
11:00 am Central Time**

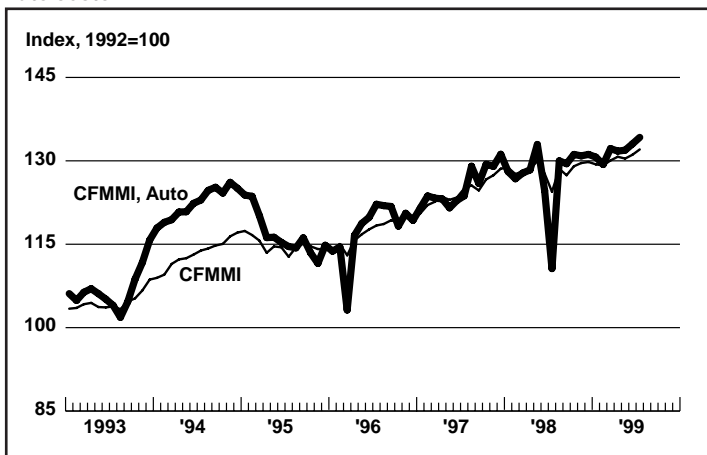
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Manufacturing output indexes – July 1999

	percent change from		
	1 month ago	3 months ago	1 year ago
Chicago Fed Midwest Manufacturing Index (CFMMI)	0.7	1.0	6.1
US Industrial Production-Manufacturing (IPMFG)	0.6	1.0	4.3

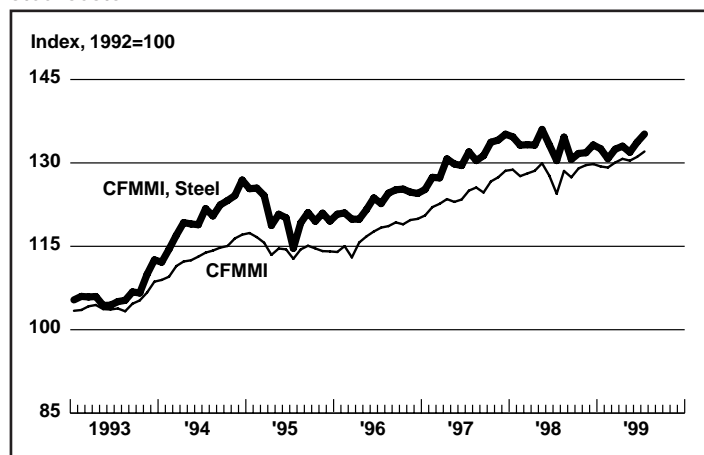
Tracking Midwest Manufacturing Activity by Sectors — July 1999

Auto Sector



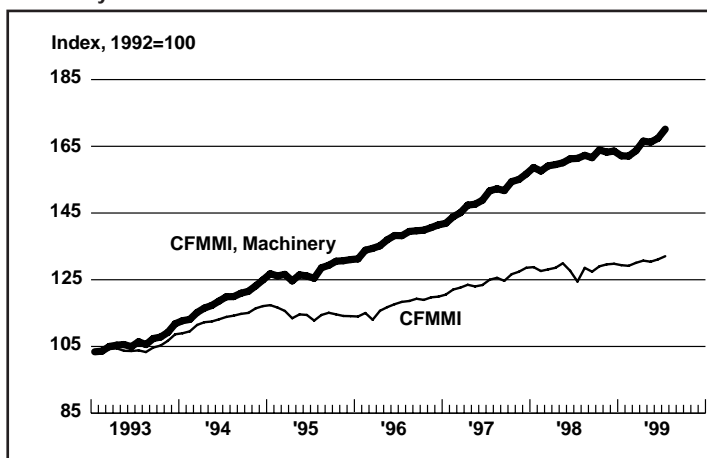
Auto Sector CFMMI Components:
Rubber and Miscellaneous Plastics Products; Transportation Equipment

Steel Sector



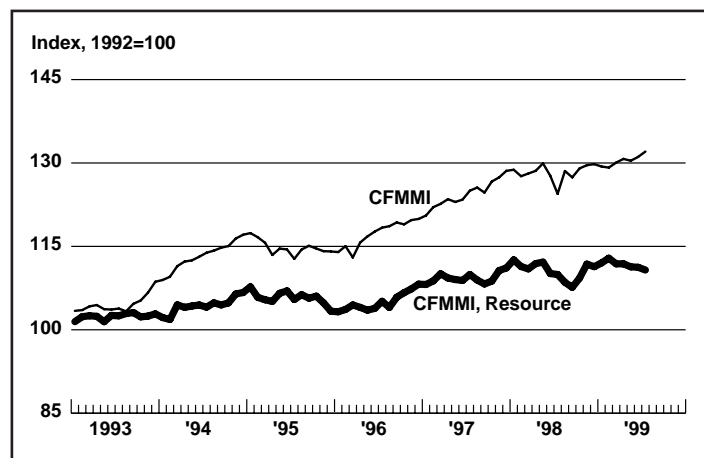
Steel Sector CFMMI Components:
Primary Metal Industries; Fabricated Metal Products

Machinery Sector



Machinery Sector CFMMI Components:
Industrial Machinery and Equipment; Electronic and Other Electric Equipment;
Instruments and Related Products

Resource Sector



Resource Sector CFMMI Components:
Food and Kindred Products; Lumber and Wood Products, Paper and Allied Products,
Chemicals and Allied Products; Petroleum and Coal Products; Stone, Clay, and Glass
Products

Manufacturing Activity: Summary Table

	Index, 1992=100			Percent change			
	May 99	Jun 99	Jul 99	Monthly			Annual Jul 98-Jul 99
				May	Jun	Jul 99	
CFMMI	130.4	131.1	132.1	-0.3	0.5	0.7	6.1
CFMMI - Auto	131.9	133.0	134.2	0.1	0.9	0.9	21.3
CFMMI - Steel	131.9	133.7	135.2	-0.8	1.4	1.1	3.7
CFMMI - Machinery	166.2	167.4	170.1	-0.2	0.7	1.6	5.4
CFMMI - Resource	111.3	111.2	110.7	-0.5	-0.1	-0.4	0.7
IPMFG	138.4	138.6	139.4	0.3	0.1	0.6	4.3

Note: Three of the sixteen industries in the CFMMI are not included in any of the four sectors above. These are Furniture and Fixtures, Printing and Publishing, and Miscellaneous Manufacturing Industries.

The Chicago Fed Midwest Manufacturing Index (CFMMI) is a monthly estimate of manufacturing output in the region by major industry. The Midwest is defined as the five states comprising the Seventh Federal Reserve District: Illinois, Indiana, Iowa, Michigan, and Wisconsin. The CFMMI is a composite index of 16 manufacturing industries (identified by 2-digit SIC codes) that uses electrical power and hours worked data to measure monthly changes in regional activity. The CFMMI provides a regional comparison with the manufacturing component of the Industrial Production Index (IPMFG) compiled by the Federal Reserve Board. Although the IPMFG is constructed differently than the CFMMI, it also uses electrical power and hours worked data as measures of industry output for about 60 percent of its total production index.

CFMMI and IPMFG historical data are available on the Federal Reserve Bank of Chicago's Web site at <http://www.frbchi.org>