Chicago Fed Index reports broad-based growth in Midwest manufacturing

The Chicago Fed Midwest Manufacturing Index (CFMMI) posted another solid gain in August, reflecting a broad-based increase across the auto, steel, and machinery sectors. The CFMMI increase of 0.4 percent compared with a 0.3 percent national increase, as measured by the manufacturing component of the Federal Reserve Board’s Industrial Production Index (IPMFG).

Although the Chicago Fed Index continued to advance, both the regional and national indices indicate some moderation in the rate of growth in manufacturing in the last two months. CFMMI growth in July and August averaged only about half the growth of May and June. Every sector except the resource sector expanded at a markedly slower pace in those two months than the previous two months. Should this pattern continue in September, third-quarter gains in the CFMMI will slow down noticeably from the second quarter pace. However, Midwest manufacturing growth should still increase at a faster rate than the nation in the third quarter, if the pattern of moderating activity continues nationwide.

The CFMMI’s increase in August was the result of broad-based strength, unlike the July gain of 0.3 percent that was led by a solid 2.3 percent increase in the auto sector. The broad-based strength reflected in the CFMMI included a more moderate gain in the auto sector than posted in July, even though auto assemblies were down on a seasonally adjusted basis from an exceptionally high July level. Steel and machinery activity rebounded during August after declining in July. However, the steel sector’s advance was hampered by additional production delays caused by steel mill outages.
Tracking Midwest Manufacturing Activity by Sectors — August 1996

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

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

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

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

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