Chicago Fed Index reports Midwest manufacturing flat in September

Midwest manufacturing activity held steady in September as weakness in auto production offset modest gains in other sectors, according to the Chicago Fed Midwest Manufacturing Index (CFMMI). Manufacturing growth nationwide increased by a modest 0.2 percent, as measured by the manufacturing component of the Federal Reserve Board’s Industrial Production Index.

The Midwest auto sector declined by 0.9 percent in September, a pronounced decrease following two months of strong gains. The auto sector for the nation experienced back-to-back declines in August and September. Problems with new model rollouts contributed to the sector’s poor showing. Data for October are not yet available, but disruptions caused by the General Motors strike is expected to affect auto production numbers for that month. Given the relatively high concentration of GM facilities in the Midwest, October data may indicate that the region’s auto sector was a drag on the Midwest’s overall manufacturing performance. Nevertheless, the auto sector is expected to resume having a positive effect on Midwest manufacturing activity in the near future, assuming that recent problems are temporary.

Other Midwest manufacturing sectors posted modest but widespread gains in September, with steel and machinery building on strong gains in August. In the steel sector, the region exceeded gains nationwide. Gains in the machinery sector did not keep pace with national growth. The resource sector, including food, lumber, oil and chemical products, provided a boost to Midwest manufacturing activity. This sector posted the strongest gain of any sector in the region, recovering about half of the decline it experienced in August. Leading the gain in the resource sector was food processing, which had accounted for much of the August decline. Gains in chemicals and stone/clay/glass production also contributed significantly to the resource sector’s increase.
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