Midwest Manufacturing changed little in January

The Chicago Fed’s Midwest Manufacturing Index was virtually flat in January, after hitting a record high in December. January’s slight decline of 0.1 percent is likely to be little more than a temporary pause, given the recent spate of positive economic reports. Growth in the Chicago Fed Index was consistent with the national experience. The manufacturing component of the Federal Reserve Board’s industrial production index posted a modest decline of 0.2 percent.

A slowdown in the steel sector was the main reason for the Midwest’s unchanged performance. Steel-related activity in January dipped 0.6 percent from the previous month. Actual raw steel production was down more than 5 percent from very high year-ago levels. Much of that decline may have been due to mill outages rather than an easing in demand for steel. Lending credence to this argument is the fact that production declines were concentrated in Michigan where a steel producer experienced a recent outage.

Most sectors both nationally and regionally showed only modest gains or declines in January. The Midwest’s auto sector continued to do slightly worse than the nation and its resource sector (which includes paper, chemicals, petroleum, and food processing) continued to do slightly better. Overall, the Chicago Fed Index closely matched the nation in recent months, despite some downward revisions in both the regional and national indexes in December.
Auto Sector CFMMI Components:
Rubber and Miscellaneous Plastics Products; Transportation Equipment

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

Steel Sector CFMMI Components:
Primary Metal Industries; Fabricated Metal 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