Manufacturing in Midwest Growing Slower than Nation

The Chicago Fed Midwest Manufacturing Index (CFMMI) decreased 0.1% from May to June, following a revised 0.4% decline in May. By comparison, the Federal Reserve Board’s industrial production index for manufacturing increased by 0.3% in both May and June. The auto sector had the strongest performance in the Midwest index, increasing by 0.5% in June, following a sharp 1.7% decline in May. The steel sector had the largest decline, falling 1.2% from May to June, its first decrease in seven months. The machinery sector rose by 0.4% in June, while the resource sector’s output fell by 0.3% in the Midwest, its third straight monthly decline.

June was the second consecutive month that every sector in the region had slower growth from the prior month than its national counterpart. This continues to suggest that the economic slowdown in the second quarter had a somewhat greater impact on Midwest industries than the nation as a whole. Relatively slower growth might indicate that the Midwest manufacturing sector is pushing on capacity constraints. Since February of 1996, total employment growth in the region has been slower than the rest of the country. Even with slower employment growth, the unemployment rate for the five-state region continued to decline, falling from 4.7% in February 1996 to 3.9% in June 1997. Nationally the unemployment rate fell from 5.5% to 5.0% over the same time period. For the first half of this year, the unemployment rate in the Midwest averaged 4.1%, a full percentage point below the nation’s rate. In the Midwest, monthly manufacturing employment growth from a year ago averaged 1.6 percentage points more than the nation’s growth rate between February 1992 and February 1996. Over this time period the Midwest increased its share of U.S. manufacturing employment from 17.7% to 18.8%. Since February 1996 however, Midwest manufacturing employment growth has averaged 0.2 percentage point less than the nation.

While the Midwest’s auto sector index increased by 0.5% from May to June, this was about half the increase that the nation experienced. The region’s heavier emphasis on the production of cars versus light trucks contributed to this slower growth. Through the first seven months of this year, nationwide sales of domestically-produced autos were 6.4% below the comparable year-ago period, while sales of domestically-produced light trucks were 1.2% above a year ago.

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<th>Chicago Fed Midwest Manufacturing Index</th>
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<tr>
<td>Index, 1992=100</td>
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<td>130</td>
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The next CFMMI will be released:
Thursday, September 11, 1997
Noon Eastern Time
11:00 am Central Time
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