

Chicago Fed Midwest Manufacturing Index

Auto Sector Puts the Pedal to the Metal for Midwest Manufacturing in August

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The Chicago Fed Midwest Manufacturing Index (CFMMI) rose 3.5% from July to August, to a level of 125.9 (1992=100); revised data show the index fell 2.1% in July. The Federal Reserve Board's industrial production index for manufacturing (IPMFG) rose 2.0% in August after dropping 0.4% in July. Output in the region was 2.2% above a year ago in August while the nation's output was up 3.2%. The August increase in the CFMMI was the largest month-to-month gain in 16 years.

Spurred on by the settlement of the General Motors strikes at the end of July, the Midwest auto and the steel sectors expanded robustly in August. In contrast, the regional machinery and resource sectors contracted in August, hampered by the Asian crisis and its impact on the agricultural industry. The regional auto sector experienced the largest increase, rising 15.9% in August following July's 8.8% decrease. Midwest steel sector output increased 6.4% in August after a 2.9% decrease in July. Regional machinery sector output fell by 0.2% in August after rising 0.2% in July. The Midwest resource sector decreased 0.6% in August after being unchanged in July.

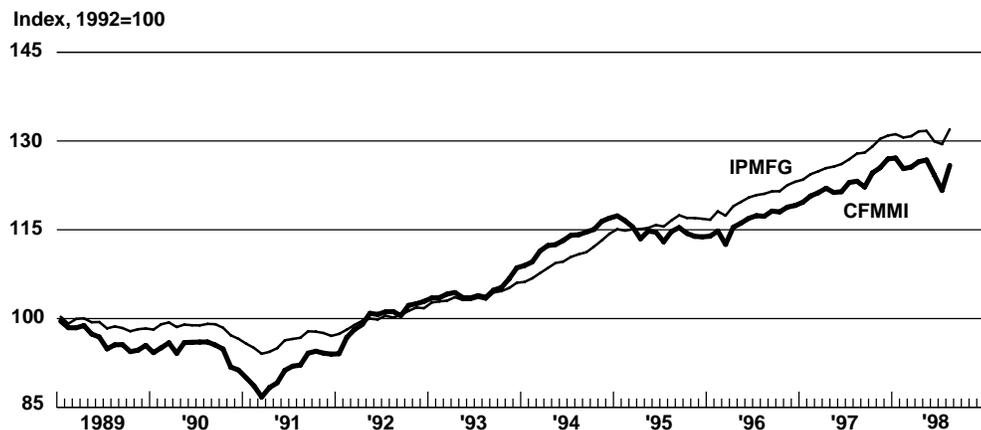
The regional auto sector's increase of 15.9% in August was somewhat stronger than the 12.8% increase in the nation's auto sector, reflecting the fact that over half of the strike-affected U.S. factory workers were located in the Midwest. Compared with a year earlier, Midwest auto sector output was up 0.2% in August. In contrast, the nation's auto sector output was 5.2% above August 1997.

The regional steel sector's August increase was also due in large part to the settlement of the auto strikes. Steel producers were hesitant to build up large inventories of steel with deliveries curtailed by the strikes and related auto plant shutdowns. Once the strikes were settled, steel production for the auto industry resumed. The Midwest steel sector's 6.4% August increase was much stronger than the 1.5% gain experienced by the nation's steel sector. In August, Midwest steel output was 5.4% above a year ago, compared with a national steel output increase of only 1.5%.

The Midwest machinery sector's August decline was the first in six months. In August, regional machinery output stood 4.5% above its August 1997 level, the slowest year-to-year growth since February 1997. The nation's growth rate from the prior year was a stronger 8.5% in August, but still the slowest rate of expansion for the nation's machinery sector since November 1993.

The August decrease in the region's resource sector output reflected large declines in food processing; chemicals and allied products; and petroleum refining and related industries. Compared with a year ago, Midwest resource sector output was up 0.9% in August while the nation had a 1.4% gain.

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The next CFMMI will be released:
Thursday, November 12, 1998
Noon Eastern Time
11:00 am Central Time

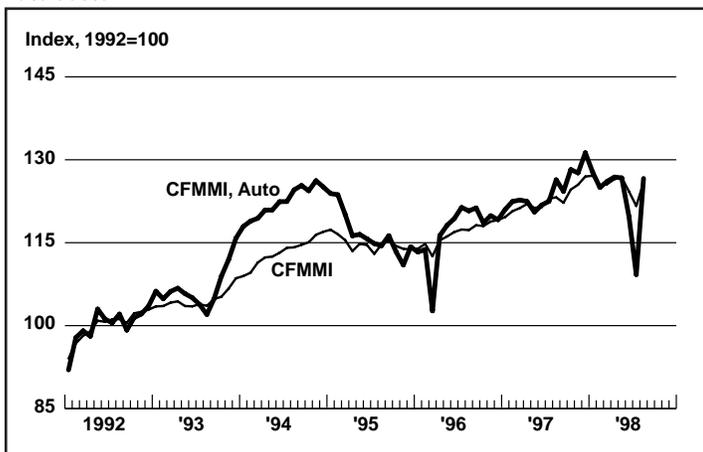
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Manufacturing output indexes – August 1998

	percent change from		
	1 month ago	3 months ago	1 year ago
Chicago Fed Midwest Manufacturing Index (CFMMI)	3.5	-0.7	2.2
US Industrial Production-Manufacturing (IPMFG)	2.0	0.2	3.2

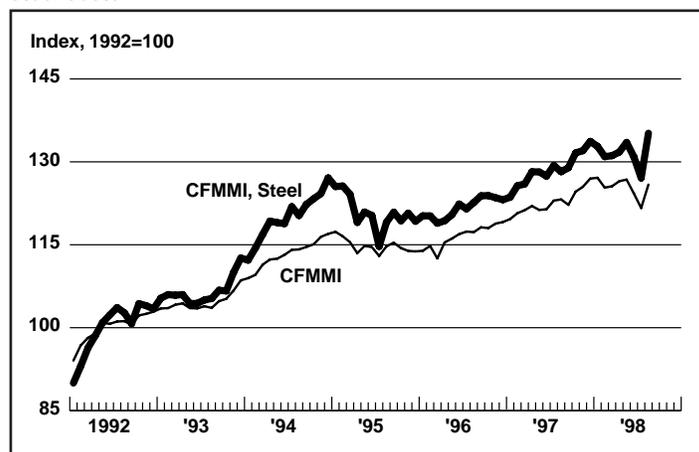
Tracking Midwest Manufacturing Activity by Sectors — August 1998

Auto Sector



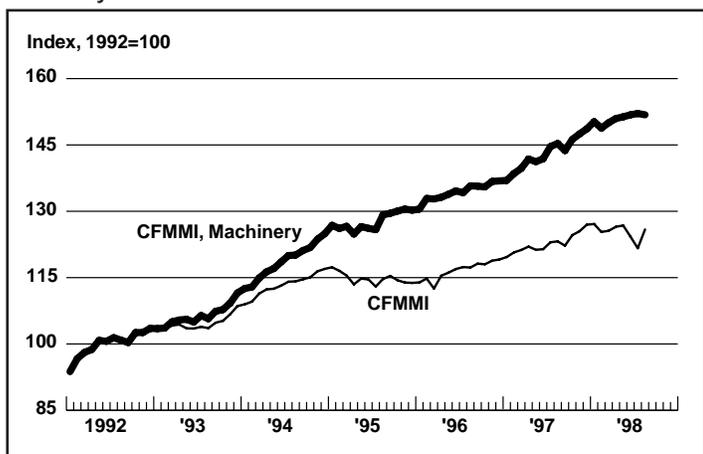
Auto Sector CFMMI Components:
Rubber and Miscellaneous Plastics Products; Transportation Equipment

Steel Sector



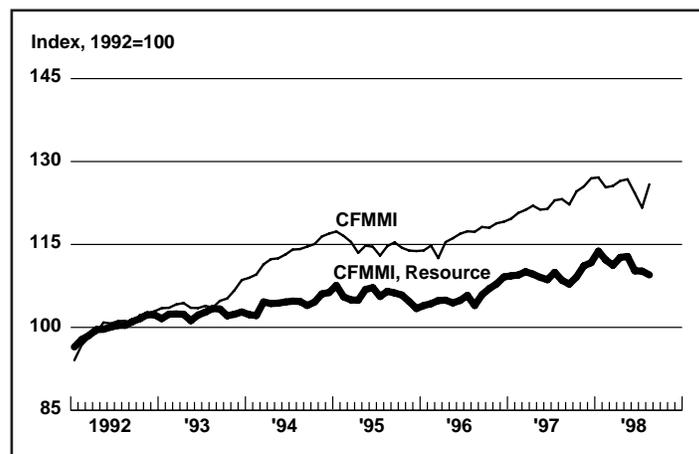
Steel Sector CFMMI Components:
Primary Metal Industries; Fabricated Metal Products

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			
	Jun 98	Jul 98	Aug 98	Monthly			Annual Aug 97–Aug 98
				Jun 98	Jul 98	Aug 98	
CFMMI	124.3	121.7	125.9	-2.0	-2.1	3.5	2.2
CFMMI - Auto	119.7	109.2	126.6	-5.5	-8.8	15.9	0.2
CFMMI - Steel	130.9	127.1	135.2	-2.0	-2.9	6.4	5.4
CFMMI - Machinery	151.8	152.1	151.8	0.3	0.2	-0.2	4.5
CFMMI - Resource	110.2	110.2	109.5	-2.3	0.0	-0.6	0.9
IPMFG	129.9	129.5	132.0	-1.3	-0.4	2.0	3.2

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>