

# Chicago Fed Midwest Manufacturing Index

## Auto Strikes Put Brakes on Midwest Manufacturing Index in July

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The Chicago Fed Midwest Manufacturing Index (CFMMI) fell 2.6% from June to July to a level of 121.2 (1992=100); revised data show the index down 1.7% in June. The Federal Reserve Board's industrial production index for manufacturing (IP-MFG) fell 0.7% in July after dropping 1.2% in June. Output in the region was 1.4% below a year ago in July while the nation's output was up 1.8%. This was the first month since March 1996 that the CFMMI was below its year-ago level.

Three sectors in the region contracted in July; only the regional machinery sector increased. The regional auto sector experienced the largest decrease, falling 10.3% in July following June's 5.4% decrease. Midwest steel sector output declined 3.2% in July after a 1.3% decrease in June. The regional resource sector decreased 0.9% in July after falling 1.8% in June. Midwest machinery sector output edged up 0.2% in July after rising 0.4% in June.

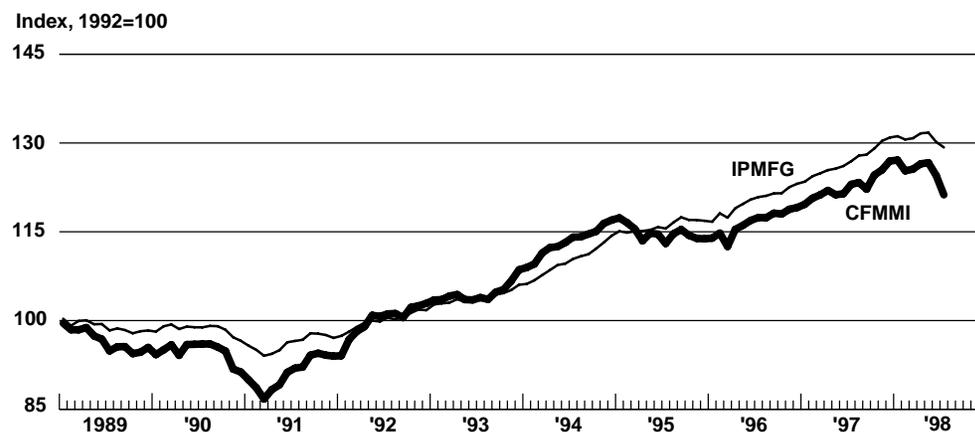
Strikes that began in early June at the nation's largest vehicle manufacturer were not settled until late July, which affected industrial output in both the Midwest and the nation. The regional auto sector's decline of 10.3% in July was twice the 5.1% rate of decline in the nation's auto sector. The reason for the much sharper decline in the region is 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 down 12.4% in July. In contrast, the nation's auto sector output was 4.8% below July 1997.

The regional steel sector's July decrease was also due in large part to 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. The Midwest steel sector's 3.2% July decline was much sharper than the 0.7% decline experienced by the nation's steel sector. In July, Midwest steel output was 2.2% below a year ago, compared with a national steel output increase of 0.2%.

The July decrease in the region's resource sector output reflected large declines in food processing; paper and allied products; and chemicals and allied products. Compared with a year ago, Midwest resource sector output was down 0.2% while the nation was up 1.0%.

As had been the case through the first six months of this year, the machinery sector continued to show the strongest growth among the four industrial sectors relative to a year ago in both the region and the nation. In July, regional machinery output stood 5.4% above its July 1997 level. The nation's growth rate from the prior year was a strong 9.9% in July.

**Chicago Fed Midwest Manufacturing Index**



The next CFMMI will be released:  
**Tuesday, October 13, 1998**  
**Noon Eastern Time**  
**11:00 am Central Time**

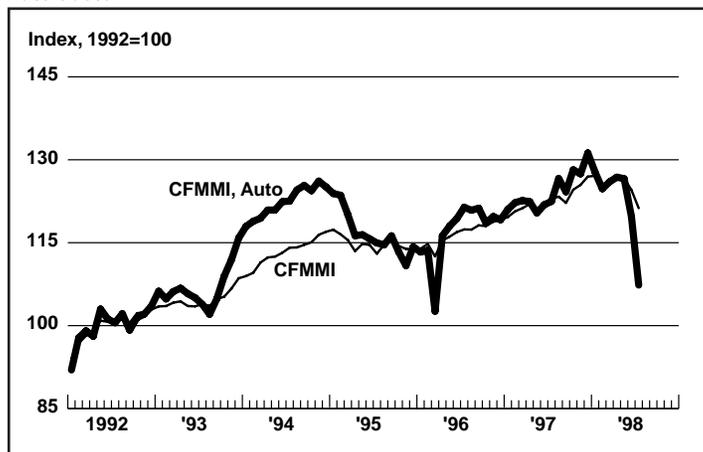
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**Manufacturing output indexes – July 1998**

	percent change from		
	1 month ago	3 months ago	1 year ago
Chicago Fed Midwest Manufacturing Index (CFMMI)	-2.6	-4.1	-1.4
US Industrial Production-Manufacturing (IPMFG)	-0.7	-1.8	1.8

## Tracking Midwest Manufacturing Activity by Sectors — July 1998

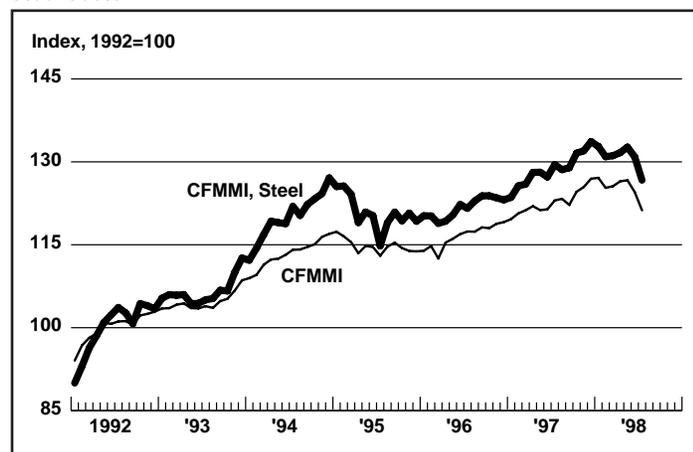
### Auto Sector



Auto Sector CFMMI Components:

Rubber and Miscellaneous Plastics Products; Transportation Equipment

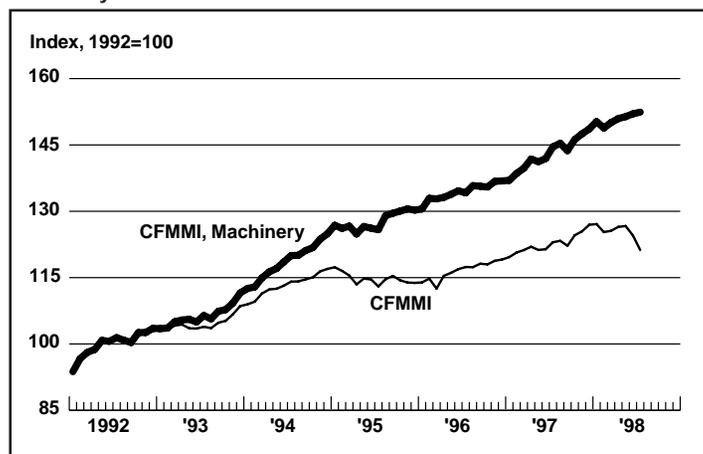
### Steel Sector



Steel Sector CFMMI Components:

Primary Metal Industries; Fabricated Metal Products

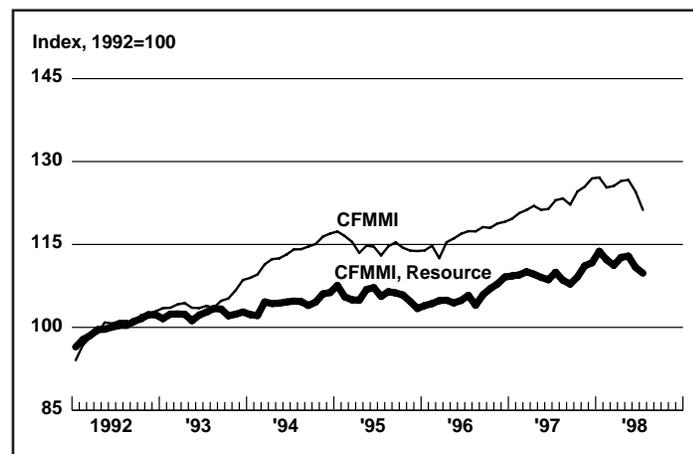
### Machinery Sector



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			
	May 98	Jun 98	Jul 98	Monthly			Annual Jul 97-Jul 98
				May 98	Jun 98	Jul 98	
CFMMI	126.7	124.5	121.2	0.2	-1.7	-2.6	-1.4
CFMMI - Auto	126.6	119.7	107.3	-0.2	-5.4	-10.3	-12.4
CFMMI - Steel	132.7	130.9	126.7	0.8	-1.3	-3.2	-2.2
CFMMI - Machinery	151.4	152.0	152.4	0.3	0.4	0.2	5.4
CFMMI - Resource	112.9	110.8	109.8	0.2	-1.8	-0.9	-0.2
IPMFG	131.7	130.2	129.3	0.1	-1.2	-0.7	1.8

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>