

Auto Strikes Put Brakes on Midwest Manufacturing Index

Embargoed for release:
 Noon Eastern Time
 11:00 am Central Time
 August 11, 1998

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The Chicago Fed Midwest Manufacturing Index (CFMMI) fell 1.2% from May to June, to a level of 125.0 (1992=100); revised data show the index unchanged in May. The Federal Reserve Board's industrial production index for manufacturing (IP-MFG) fell by 0.6% in June from May, after being unchanged in May. Output in the region was 2.9% above a year ago in June while the nation's output was up 3.8%.

Three sectors in the region contracted in June; only the regional machinery sector increased. The regional auto sector experienced the largest decrease, falling 3.8% in June following May's 0.2% decrease. Midwest steel sector output declined 2.2% in June after a 0.6% increase in May. The regional resource sector decreased 0.8% in June after falling 0.2% in May. Midwest machinery sector output edged up 0.1% in June after rising 0.4% in May.

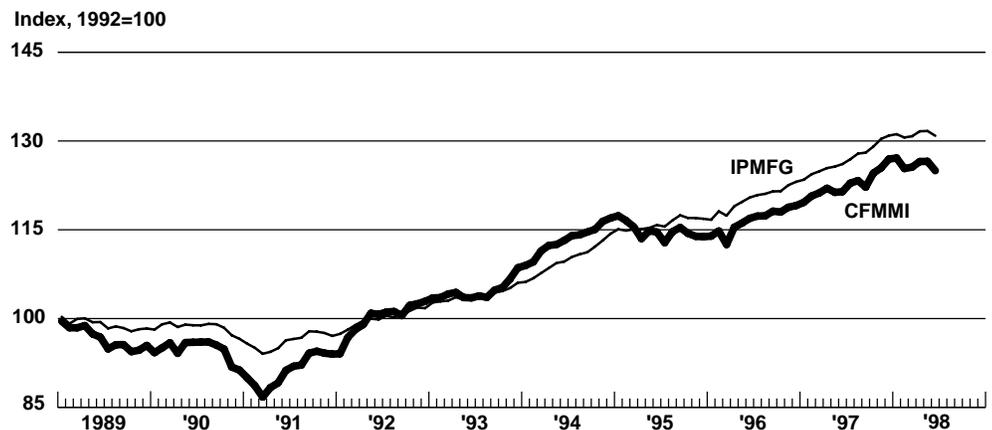
Strikes that began in early June at the nation's largest vehicle manufacturer affected industrial output in both the Midwest and the nation. While the regional auto sector declined by 3.8% in June, the nation's auto sector fell by an even greater 4.1%. The overall regional manufacturing index was more greatly affected since the auto sector accounts for a greater proportion of industrial output in the region than in the nation. The regional auto sector accounts for over 19% of the CFMMI while the nation's auto sector represents less than 13% of the IP-MFG. Compared with a year earlier, Midwest auto sector output was down 0.1% in June. In contrast, the nation's auto sector output was 1.8% above June 1997.

The regional steel sector's June 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 June decline was much sharper than what the nation's steel sector experienced. While the nation's steel output fell by 0.8% in June, the Midwest's steel output fell by a much greater 2.2%. In June, Midwest steel output was 1.9% above a year ago, compared with a slightly weaker national increase of 1.6%.

The June decrease in the region's resource sector output reflected large declines in food processing; lumber and wood products; and paper and allied products. Compared with a year ago, Midwest resource sector output was up 2.7%, while the nation expanded at a somewhat weaker 2.0%.

As had been the case through the first five 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 June, regional machinery output stood 6.9% above its June 1997 level. The nation's growth rate from the prior year was a strong 11.6% in June.

Chicago Fed Midwest Manufacturing Index



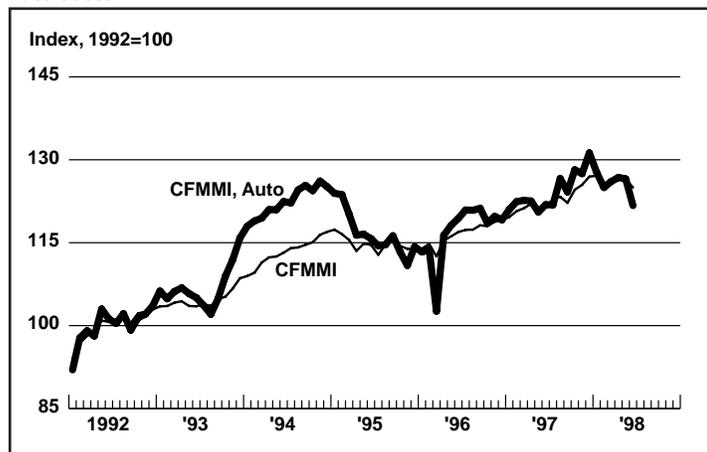
The next CFMMI will be released:
 Friday, September 11, 1998
 Noon Eastern Time
 11:00 am Central Time

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Manufacturing output indexes – June 1998	percent change from		
	1 month ago	3 months ago	1 year ago
Chicago Fed Midwest Manufacturing Index (CFMMI)	-1.2	-0.5	2.9
US Industrial Production-Manufacturing (IPMFG)	-0.6	0.1	3.8

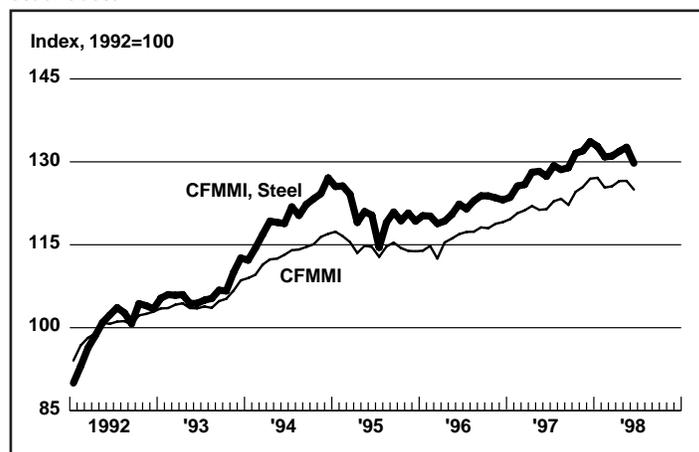
Tracking Midwest Manufacturing Activity by Sectors — June 1998

Auto Sector



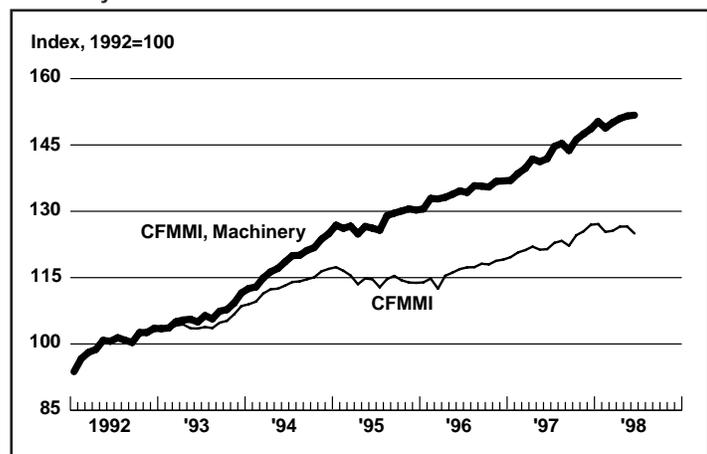
Auto Sector CFMMI Components:
Rubber and Miscellaneous Plastics Products; Transportation Equipment

Steel Sector



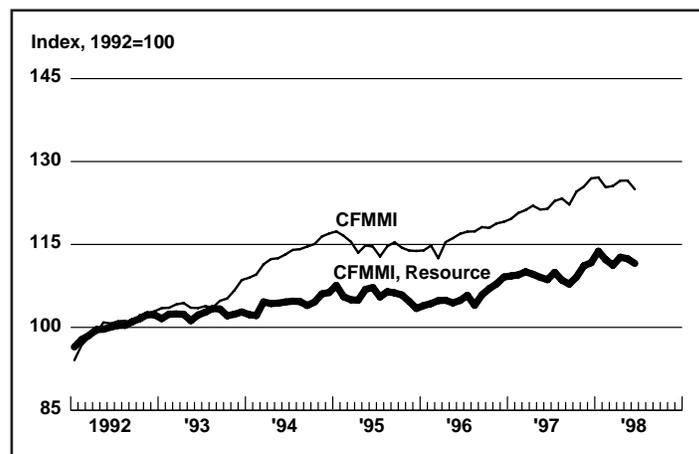
Steel Sector CFMMI Components:
Primary Metal Industries; Fabricated Metal Products

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			
	Apr 98	May 98	Jun 98	Monthly			Annual Jun 97–Jun 98
				Apr 98	May 98	Jun 98	
CFMMI	126.5	126.6	125.0	0.8	0.0	-1.2	2.9
CFMMI - Auto	126.8	126.5	121.7	0.6	-0.2	-3.8	-0.1
CFMMI - Steel	131.9	132.6	129.8	0.7	0.6	-2.2	1.9
CFMMI - Machinery	151.0	151.5	151.7	0.6	0.4	0.1	6.9
CFMMI - Resource	112.7	112.4	111.6	1.3	-0.2	-0.8	2.7
IPMFG	131.6	131.7	130.9	0.6	0.0	-0.6	3.8

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>