

# Chicago Fed Midwest Manufacturing Index

## Midwest Manufacturing Falls in September

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The Chicago Fed Midwest Manufacturing Index (CFMMI) fell 0.9% from August to September to a level of 124.8 (1992=100); revised data show the index rose 3.3% in August. The Federal Reserve Board's industrial production index for manufacturing (IPMFG) fell 0.4% in September after rising 1.8% in August. Output in the region was 2.2% above a year ago in September while the nation's output was up 2.6%. The September decrease in the CFMMI was the third month-to-month decline in the past four months.

The Midwest steel sector posted the largest monthly drop of the four sectors, falling 2.3% in September after having risen by 3.0% in August. The regional machinery sector reported a 1.5% drop in September following a 0.4% gain in August. The regional auto sector declined by 0.9% in September after rising an incredibly strong 17.8% in August. The Midwest resource sector was the only category to experience a gain in September rising 0.2% after falling 1.3% in August.

The regional steel sector's September decrease was due in part to the continued general weakening in manufacturing that has been occurring throughout the year. In addition the steel industry has been challenged by large increases in imported steel over the past several months. The Midwest steel sector's 2.3% September decrease was much larger than the 0.8% drop experienced by the nation's steel sector. In September, Midwest steel output was 0.2% below a year ago, compared with a national steel output which was 0.5% below year ago levels.

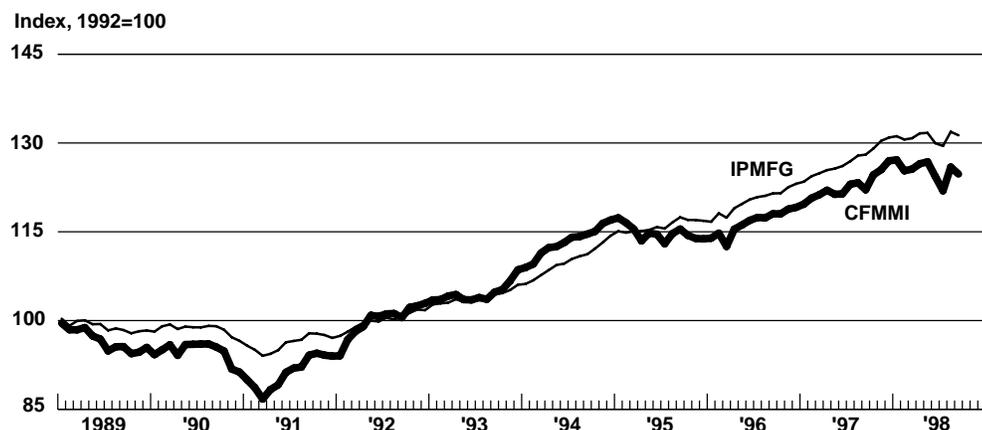
The Midwest machinery sector's weakness has in part been due to the effect that low commodity prices have had on lowering farmer's incomes and that has affected their ability to purchase new agricultural equipment. In September, regional machinery output stood 4.4% above its September 1997 level, the slowest year-to-year growth since February 1997. The nation's growth rate from the prior year was a stronger 8.9%.

The regional auto sector's decrease of 0.9% in September was smaller than the 1.3% decline that was experienced in the nation's auto sector. Compared with a year earlier, Midwest auto sector output was up 3.2% in September. In contrast, the nation's auto sector output was 3.8% above September 1997.

The September increase in the region's resource sector output reflected increases in food processing and paper and allied products. Compared with a year ago, Midwest resource sector output was up 1.8% in September while the nation had a 0.9% gain.

— William A. Strauss • Senior Economist and Economic Advisor • 312-322-8151

### Chicago Fed Midwest Manufacturing Index



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

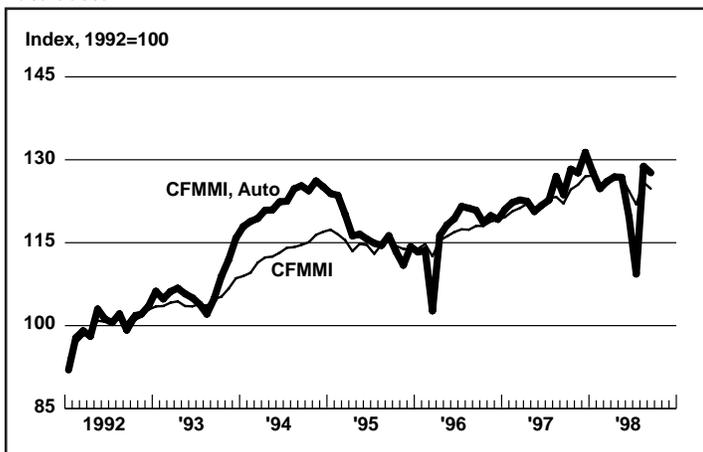
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 OF CHICAGO

### Manufacturing output indexes – September 1998

	percent change from		
	1 month ago	3 months ago	1 year ago
Chicago Fed Midwest Manufacturing Index (CFMMI)	-0.9	0.3	2.2
US Industrial Production-Manufacturing (IPMFG)	-0.4	1.0	2.6

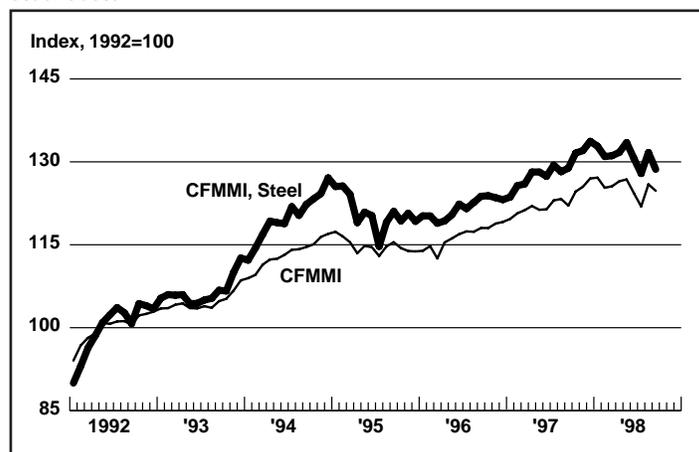
# Tracking Midwest Manufacturing Activity by Sectors — September 1998

## Auto Sector



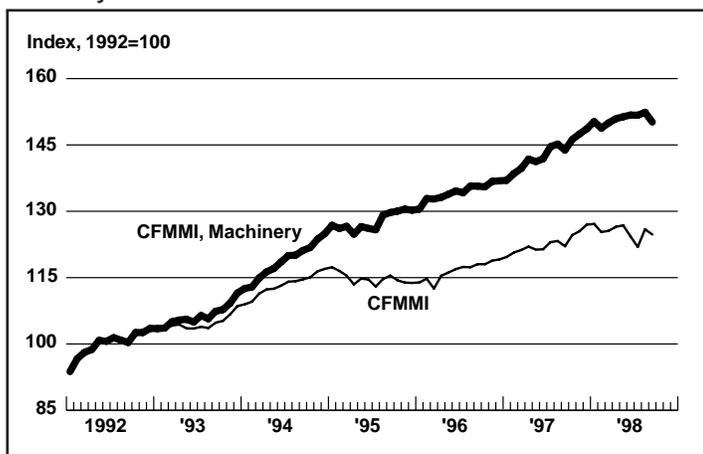
Auto Sector CFMMI Components:  
Rubber and Miscellaneous Plastics Products; Transportation Equipment

## Steel Sector



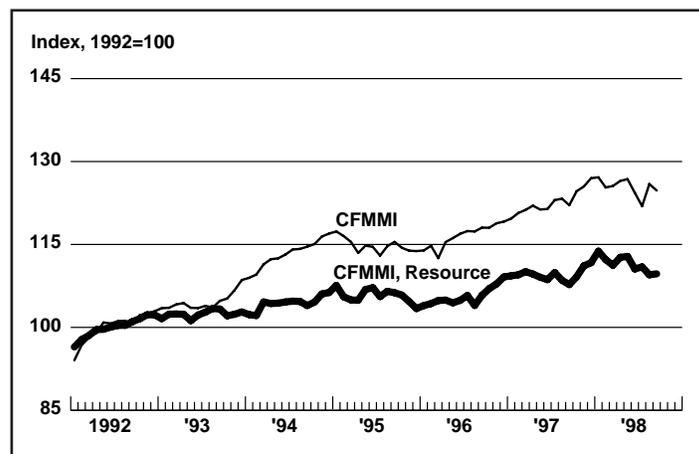
Steel Sector CFMMI Components:  
Primary Metal Industries; Fabricated Metal Products

## 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			
	Jul 98	Aug 98	Sep 98	Monthly			Annual Sep 97-Sep 98
				Jul 98	Aug 98	Sep 98	
CFMMI	121.9	125.9	124.8	-1.9	3.3	-0.9	2.2
CFMMI - Auto	109.3	128.8	127.6	-8.7	17.8	-0.9	3.2
CFMMI - Steel	127.9	131.7	128.6	-2.1	3.0	-2.3	-0.2
CFMMI - Machinery	151.7	152.4	150.2	0.0	0.4	-1.5	4.4
CFMMI - Resource	110.9	109.5	109.7	0.3	-1.3	0.2	1.8
IPMFG	129.5	131.9	131.3	-0.4	1.8	-0.4	2.6

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>