

Chicago Fed Midwest Manufacturing Index

Midwest Manufacturing Output Falls in February

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The Chicago Fed Midwest Manufacturing Index (CFMMI) fell 0.5% from January to February, to a seasonally adjusted level of 128.9 (1992=100); revised data show the index fell 0.1% in January. The Federal Reserve Board's industrial production index for manufacturing (IPMFG) increased 0.2% in February after having risen by 0.1% the prior month. February output in the region was 1.0% higher than a year earlier while the nation's output was up 2.4%.

Of the four regional subsectors measured, the Midwest machinery sector was the only one to post a monthly gain, rising 0.3% in February after having fallen by 0.5% in January. The other three regional sectors recorded large declines in February. The regional resource sector's output declined by 0.9% in February following a 0.9% increase in January. Regional auto sector production decreased 1.1% in February after falling 0.2% in January. The Midwest steel sector's output fell 1.2% in February after having decreased 0.3% in January.

The region's machinery sector's output increase of 0.3% in February was weaker than the nation's very strong 1.2% advance. Weakness in the agricultural machinery industry accounts for much of this difference. Low commodity prices have lowered farm incomes and this has reduced demand for farm machinery, which the Midwest specializes in producing. In February, regional machinery output stood 3.5% above its February 1998 level. The nation's growth from the prior year was stronger at 11.3%.

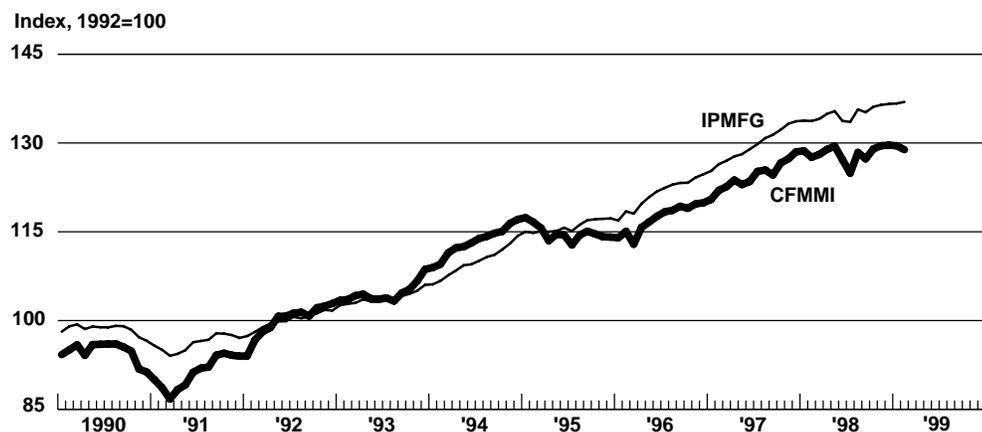
The February decline of 0.9% in the region's resource sector output reflected losses in food processing, and stone, clay, glass, and concrete products. The nation's resource output fell by 0.2% in February. Compared with a year ago, Midwest resource sector output was unchanged in February, but up 0.5% in the nation.

The regional auto sector had a sharp decline in February, while the nation's auto sector's output growth was flat with the prior month. The decrease in the region was in a large part due to the explosion in early February at Ford Motor Co.'s River Rouge plant in Michigan. The plant was closed for a week following the tragedy. In the region's auto sector, an increase in rubber and plastic industry output was offset by a sharp decline in vehicle production output in February. Compared with a year earlier, Midwest auto sector output was up 1.7% in February. In contrast, the nation's auto sector output was 2.6% above February 1998.

The regional steel sector's 1.2% decrease in February was much sharper than the 0.1% decline experienced by the nation. The weakness in agricultural equipment and the previously mentioned problems in vehicle production played a role in the soft regional steel performance in February. The region's primary metals industry, which struggled a good part of last year due to import competition, experienced a very sharp decline in February, while Midwest fabricated metal products were off by a smaller amount. In February, Midwest steel sector output was 1.4% below a year ago, less than the nation's 2.2% decline.

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

Chicago Fed Midwest Manufacturing Index



The next CFMMI will be released:
 Tuesday, May 11, 1999
 Noon Eastern Time
 11:00 am Central Time

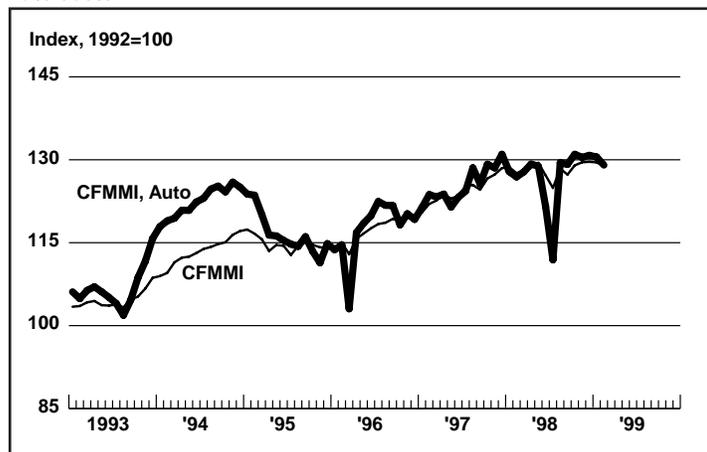
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Manufacturing output indexes – February 1999

	percent change from		
	1 month ago	3 months ago	1 year ago
Chicago Fed Midwest Manufacturing Index (CFMMI)	-0.5	-0.5	1.0
US Industrial Production-Manufacturing (IPMFG)	0.2	0.4	2.4

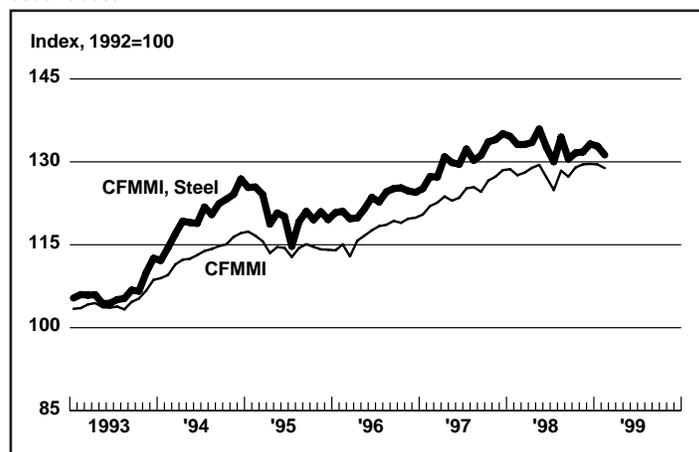
Tracking Midwest Manufacturing Activity by Sectors — February 1999

Auto Sector



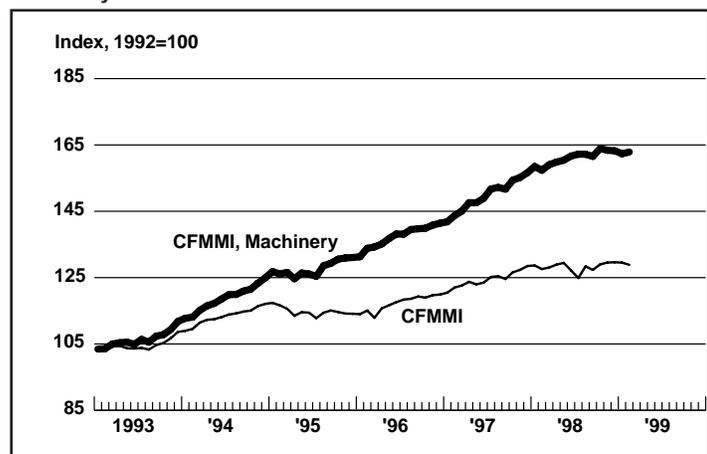
Auto Sector CFMMI Components:
Rubber and Miscellaneous Plastics Products; Transportation Equipment

Steel Sector



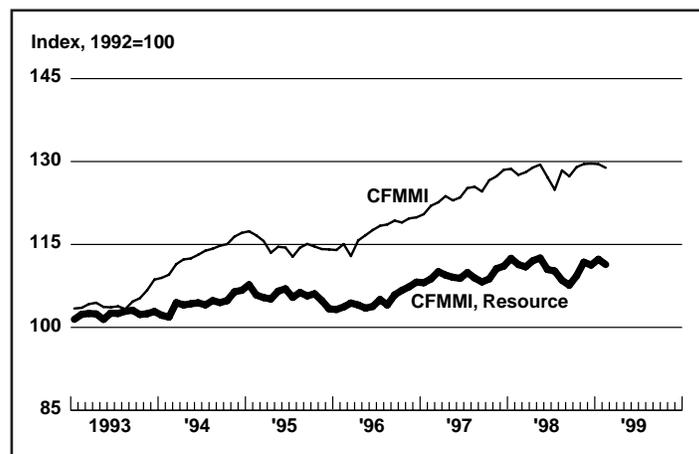
Steel Sector CFMMI Components:
Primary Metal Industries; Fabricated Metal Products

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			
	Dec 98	Jan 99	Feb 99	Monthly			Annual Feb 98-Feb 99
				Dec 98	Jan 99	Feb 99	
CFMMI	129.6	129.5	128.9	0.1	-0.1	-0.5	1.0
CFMMI - Auto	130.8	130.5	129.0	0.3	-0.2	-1.1	1.7
CFMMI - Steel	133.2	132.8	131.2	1.1	-0.3	-1.2	-1.4
CFMMI - Machinery	163.2	162.4	162.9	-0.1	-0.5	0.3	3.5
CFMMI - Resource	111.3	112.3	111.4	-0.5	0.9	-0.9	0.0
IPMFG	136.6	136.7	136.9	0.1	0.1	0.2	2.4

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>