Midwest Manufacturing Output Falls in January

The Chicago Fed Midwest Manufacturing Index (CFMMI) fell 0.2% from December to January, to a seasonally adjusted level of 129.6 (1992=100); revised data show the index rose 0.1% in December. The Federal Reserve Board's industrial production index for manufacturing (IPMFG) increased 0.1% in both December and January. January output in the region was 0.6% higher than a year earlier, while the nation's output was up 2.2%. This marked the fifth consecutive month of slower year-over-year growth for the regional index.

The Midwest resource sector posted the largest monthly gain of the four sectors, rising 0.6% in January after having fallen by 0.4% in December. The regional auto sector's output level was unchanged in January following a 0.3% increase in December. Regional steel sector production decreased 0.6% in January after rising a very strong 1.4% in December. The Midwest machinery sector's output fell 0.7% in January after having decreased 0.1% in December.

The January increase in the region's resource sector output reflected gains in lumber, food processing, and stone, clay, glass, and concrete products. The lumber and stone, clay, glass, and concrete industries have benefited from a strong regional housing and construction activity over the last several years. Compared with a year ago, Midwest resource sector output was down 0.5% in January, but up 0.2% in the nation.

The regional auto sector's flat growth rate in January was better than the 0.3% loss experienced in the nation's auto sector. In the region's auto sector an increase in vehicle production was offset by a decline in rubber and plastic industry output in January. Compared with a year earlier, Midwest auto sector output was up 2.1% in January. In contrast, the nation's auto sector output was 3.0% above January 1998.

The regional steel sector's 0.6% January decrease matched the loss experienced by the nation. The region's primary metals industry, which struggled a good part of last year due to import competition, had a modest increase in January, while Midwest fabricated metal products were off sharply. In January, Midwest steel sector output was 1.3% below a year ago, less than the nation's 3.2% decline.

The region's machinery sector output declined 0.7% in January, while the nation's machinery output increased by 0.7%. The Midwest machinery sector has been hard hit by low commodity prices. These low prices have lowered farm incomes, which in turn has reduced demand for farm machinery – an important industry for the Midwest. In January, regional machinery output stood 2.5% above its January 1998 level. The nation's growth from the prior year was stronger at 10.6%.

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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.