

Chicago Fed Midwest Manufacturing Index

Strong Auto Sector Output Drives Midwest Manufacturing Gain in March

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The Chicago Fed Midwest Manufacturing Index (CFMMI) rose 0.3% from February to March, to a seasonally adjusted level of 129.8 (1992=100); revised data show the index fell 0.1% in February. The Federal Reserve Board's industrial production index for manufacturing (IPMFG) was unchanged in March after having risen by 0.3% the prior month. March output in the region was 1.5% higher than a year earlier, while the nation's output was up 2.2%.

Of the four regional subsectors measured, the Midwest auto sector showed the strongest gain, rising 1.8% in March after having fallen by 0.1% in February. The regional steel sector's output rose by a very strong 0.9% in March after having decreased by 1.7% in February. The Midwest machinery sector's output declined by 0.1% in March following a 0.2% increase in February. The regional resource sector's production decreased 0.7% in March after rising 0.4% in February.

The regional auto sector's sharp March advance can be attributed to several factors. Light vehicle sales were very strong in the first quarter at a seasonally adjusted annual rate of 16.2 million units — 7.5% more units than were sold in the first quarter of 1998. The Midwest has a greater concentration in passenger car production than light truck production and cars have been selling better recently. Finally, the Midwest's February auto output was hurt by the explosion at Ford Motor Co.'s River Rouge, Michigan plant. Compared with a year earlier, Midwest auto sector output was up 4.3% in March, its strongest 12-month gain since last May. In contrast, the nation's auto sector output was 2.7% above March 1998.

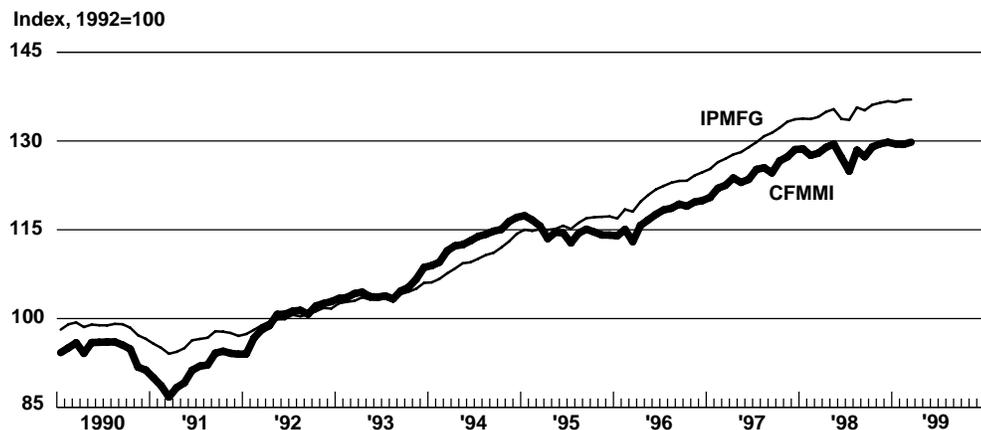
The regional steel sector's 0.9% increase in March was much greater than the 0.3% gain experienced nationally. Demand for steel has been affected by strength in vehicle production that offsets weakness in the agricultural equipment industry. The region's primary metals industry, which struggled a good part of last year due to import competition, experienced a very sharp output increase in March as excess steel inventories continued to be worked off. In March, Midwest steel sector output was 1.0% below a year ago, less than the nation's 2.7% decline.

The region's machinery sector's output decrease of 0.1% in March was weaker than the nation's 0.4% advance. Weakness in the agricultural machinery industry accounts for much of this difference. Low commodity prices have depressed farm incomes and this has reduced demand for farm machinery, which the Midwest specializes in producing. In March, regional machinery output stood 2.3% above its March 1998 level. The nation's growth from the prior year was stronger at 9.9%.

The March decline of 0.7% in the region's resource sector output reflects losses in food processing; paper; and stone, clay, glass, and concrete products. The nation's resource output fell by 0.2% in March. Compared with a year ago, Midwest resource sector output was 0.8% higher in March, virtually the same as the nation's 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:
 Thursday, June 10, 1999
 Noon Eastern Time
 11:00 am Central Time

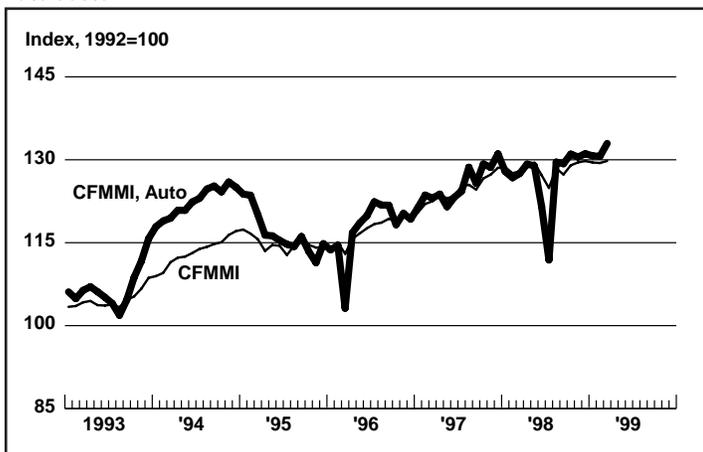
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Manufacturing output indexes – March 1999

	percent change from		
	1 month ago	3 months ago	1 year ago
Chicago Fed Midwest Manufacturing Index (CFMMI)	0.3	0.0	1.5
US Industrial Production-Manufacturing (IPMFG)	0.0	0.2	2.2

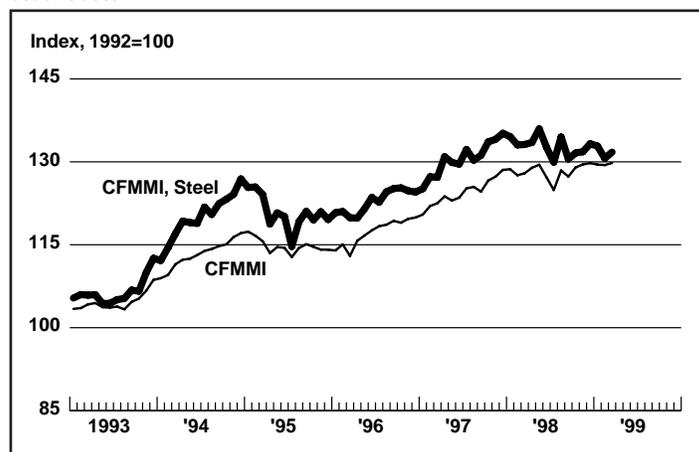
Tracking Midwest Manufacturing Activity by Sectors — March 1999

Auto Sector



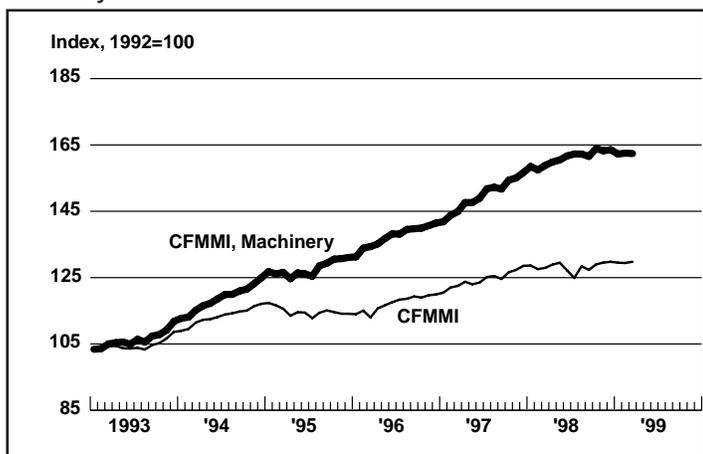
Auto Sector CFMMI Components:
Rubber and Miscellaneous Plastics Products; Transportation Equipment

Steel Sector



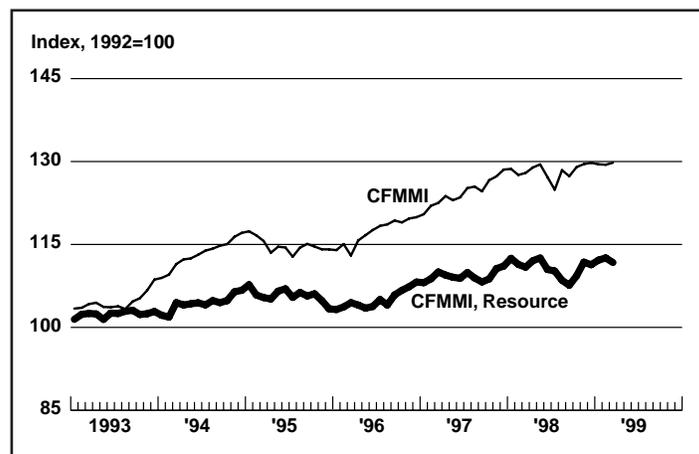
Steel Sector CFMMI Components:
Primary Metal Industries; Fabricated Metal Products

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			
	Jan 99	Feb 99	Mar 99	Monthly			Annual Mar 98-Mar 99
				Jan 99	Feb 99	Mar 99	
CFMMI	129.5	129.4	129.8	-0.2	-0.1	0.3	1.5
CFMMI - Auto	130.7	130.6	133.0	-0.3	-0.1	1.8	4.3
CFMMI - Steel	132.9	130.6	131.8	-0.3	-1.7	0.9	-1.0
CFMMI - Machinery	162.3	162.5	162.4	-0.8	0.2	-0.1	2.3
CFMMI - Resource	112.2	112.6	111.7	0.7	0.4	-0.7	0.8
IPMFG	136.5	137.0	137.0	-0.1	0.3	0.0	2.2

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>