Midwest Manufacturing Output Declines Slightly in May

The Chicago Fed Midwest Manufacturing Index (CFMMI) fell 0.1% from April to May, to a seasonally adjusted level of 130.7 (1992=100); revised data show the index rose 0.5% in April. The Federal Reserve Board’s industrial production index for manufacturing (IPMFG) increased 0.4% in May, the same rate of increase experienced in April. May output in the region was 0.7% higher than a year earlier, the smallest gain since January. The nation’s output was 2.4% higher than last year. The relatively slower growth for the Midwest follows two months where the region grew at a faster rate than the nation.

Of the four regional subsectors measured, the Midwest resource sector showed the strongest increase, rising 0.2% in May, after having fallen by 0.1% in April. The regional auto sector also showed a positive gain, rising 0.1% in May, after declining 0.2% in the prior month. Both of the remaining regional subsectors, steel and machinery, declined 0.5% in May. The Midwest’s steel sector’s output had risen 0.7% in April, while the regional machinery sector’s production increased 1.6%.

The May increase of 0.2% in the region’s resource sector was half of the gain experienced by the nation. The Midwest’s output increase reflected gains in chemicals and petroleum production. Compared with a year ago, Midwest resource sector output was just 0.2% higher in May, lower than the nation’s 0.9% gain.

The regional auto sector’s increase of 0.1% in May was below the 0.7% increase of the nation. Year-to-date light vehicle sales remained very strong through May, averaging a seasonally adjusted annual rate of 16.4 million units; this was 7.1% more units than were sold in the first five months of 1998. The Midwest region has a greater concentration in passenger car production, and car sales have increased at half the rate of light trucks so far this year. Passenger car sales for the first five months of this year were 4.7% higher than a year earlier, while light truck sales were up 9.6%. Compared with a year earlier, Midwest auto sector output was down 0.5% in May. In contrast, the nation’s auto sector output was 1.1% above May 1998.

The regional steel sector’s 0.5% decrease in May was sharper than the 0.1% decline nationally. In May, Midwest steel sector output was 2.1% below May 1998, more than the nation’s 1.7% decline. The last time the region’s 12-month percent change was less than the nation’s was in July 1998.

The region’s machinery sector’s output decline of 0.5% in May was in sharp contrast to the 0.9% gain experienced nationally. The weakness in the regional machinery sector is probably attributable to the problems in the farm equipment industry. In May, regional machinery output stood 3.2% above its May 1998 level, while the nation was up a stronger 11.4%.

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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.

CFMMI and IPMFG historical data are available on the Federal Reserve Bank of Chicago’s Web site at http://www.frbchi.org