Chicago Fed Midwest Manufacturing Index

Midwest Manufacturing Output Growth Slows in March

The Chicago Fed Midwest Manufacturing Index (CFMMI) rose 0.1% from February to March, reaching a seasonally adjusted level of 137.2 (1992=100). Revised data show the index was at 137.1 in February, and had risen 0.3% from January. The Federal Reserve Board’s industrial production index for manufacturing (IPMFG) increased 0.4% in March, after rising 0.1% in February. M arch output in the region was 4.9% higher than a year earlier, while output in the nation was 5.7% higher.

Output in three of the four CFMMI sub-sectors decreased in March. The Midwest machinery sector was the only sector that experienced a gain in output from the prior month. Midwest machinery output rose 1.5% in March, following a revised 0.6% increase in February. Output in the regional resource sector declined 0.1% in March, following a 0.8% increase the month before. Midwest steel sector output fell 0.2% in March, compared with a 0.1% increase in February. The regional automotive sector experienced the largest decline, down 1.6% in March, following a drop of 0.4% the previous month.

Midwest machinery output growth continued to lag behind the nation’s. Midwest machinery output increased 1.5% from February to March, while national machinery output rose 1.8%. For the region, growth in the electric equipment and instrument segment was stronger than growth in the industrial machinery segment. Relative to a year ago, the machinery sector continued to outperform other sectors in the region and the nation, with regional output 11.6% higher and national output up 21.7%.

The Midwest resource sector’s output decreased 0.1% in March, while the nation’s resource sector rose by 0.2%. Weakness in lumber and food processing output was the major reason for the decline in regional resource output. Compared with a year ago, Midwest resource output was 0.6% higher in March and national resource output was 2.1% higher.

Regional steel output declined by 0.2% in March, while the nation’s steel sector increased output by 0.2%. This was the first time in six months that the regional steel output growth was below the nation’s. Regional steel output was 5.0% above its March 1999 level while national steel output was up 3.7%.

The 1.6% loss in Midwest automotive output in March was larger than the 0.1% decrease nationally. However, regional automotive output was 1.9% above last year’s level while national output was 0.7% below its March 1999 level. The relatively better performance of domestic passenger car sales compared with the past few years has benefited the Midwest, which has a greater concentration of passenger car production.

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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.