
Slowdown signs - Midwestern US manufacturing activity at 15 year low

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Data from Federal Reserve Bank of Chicago revealed that, plagued by a near bankrupt US auto industry, manufacturing activity in the Midwestern US plunged to a nearly 15 year low in January.

As per data, Chicago Fed Midwest Manufacturing index dropped by 5.9% YoY in January to a seasonally adjusted level of 85.6, lowest reading since July 1994. Data compilers also revised downward its December index to 91, from their initial estimate of 92.2. The regional index was down 21.8% from January 2008, falling at a faster clip than the 13% decline felt nationwide.

The same index was also weaker than the Federal Reserve Board's industrial production index for manufacturing, which declined 2.6% in January. The auto sector was by far the weakest of the four components that make up the manufacturing index.

The five state Midwest region includes Michigan, which is home to the nation's largest auto manufacturers. President Barack Obama's auto task force is looking at ways outside of bankruptcy court to restructure severely struggling General Motors Corporation and Chrysler Llc.

The auto sector index tumbled 20% in January on the heels of only a 1.8% decline in December. The January index reading of 49.5 was the lowest since August 1991. Compared to year-ago levels, regional output was down 42.2%, versus a 24.3% decline nationwide. In January alone, national auto output fell 10.1%, a much slower contraction than was experienced on a regional basis.

Midwestern steel manufacturing dropped 4.9% in January, following a 6.7% December decline. Nationally, steel output fell 3.8% in January and 20.5% from the same period a year ago. In the Midwestern states, steel output dropped 26.5% from the year-ago level.

The Chicago Fed also reported machinery output declined 3.5% in January, from a 4.2% slide in December. Nationally, January's drop was a more tepid 2.2% and 11% below the year ago figure. Compared to January 2008, machinery output in the Midwest was down 16.2%.

The Chicago Federation said in a news release that "The increase in food production offset the other four sub sectors like chemical, paper, wood and nonmetallic mineral production, which decreased from December to January."

Nationally, resource production slipped 0.1% in January and fell 8.6% compared to the same time last year. Regional resource production was down 10.1% during January. In addition to Michigan, the index encompasses Illinois, Indiana, Iowa and Wisconsin, making up the Chicago Federal Reserve District.

(Sourced from www.dowjones.com)

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