

Midwest manufacturing growth slower than the nation, Chicago Fed index shows

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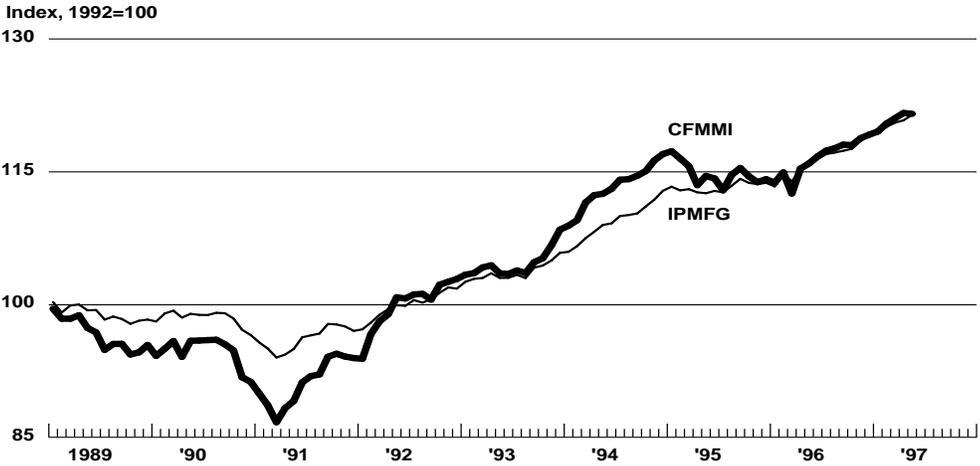
The Chicago Fed Midwest Manufacturing Index (CFMMI) decreased 0.1% from April to May, the first decline in seven months. By comparison, the Federal Reserve Board's industrial production index for manufacturing increased by 0.5% in May. This is the first time in a year and a half that every sector in the region had slower growth from the prior month than its national counterpart. The weakest performance in the Midwest was posted by the auto sector, which declined by 1.0% in May. This sector continued to be affected by the strike at Chrysler's Mound Road engine plant in Detroit, which was settled in the middle of May. Also experiencing a decline was the region's resource sector, which decreased 0.3%. The machinery sector experienced the largest regional gain, rising 0.5% in May. The region's steel sector rose by 0.4%, its sixth consecutive gain.

This anticipated economic slowdown, now reflected by all the Midwest sectors, suggests a greater impact on Midwest industries than the nation as a whole. After a robust first quarter, when light vehicle sales were at a seasonally adjusted annual rate of 15.4 million units — the strongest three-month period during this entire six plus year expansion — sales slowed in the second quarter to a 14.4 million unit rate. This contributed to the auto sector's production growth slowing from nearly 8% on a year-ago basis in February to 3.6% in May. Auto production in the nation also increased faster on a year-ago basis than did the Midwest's auto sector. The previously mentioned strike at Chrysler has had some effect on the region's lower performance, but the Midwest's share of car versus light truck production may also be playing a role. While the nation's production is split fairly evenly between cars and trucks, the Midwest produces 60% cars and 40% light trucks. In May, domestically-produced car sales were down by more than 13% from a year ago, while domestically-produced light truck sales were virtually unchanged from a year ago. The Midwest's greater specialization in car production may partly explain the softening in Midwest production growth compared with the nation.

Although steel production growth eased somewhat in May, it still was up a substantial 5.7% from a year ago, ahead of the nation's 3.2% increase.

The machinery sector had the largest monthly increase in May compared with the other industrial sectors for the region. However, the Midwest's increase was only half of what the nation's machinery sector posted. Even so, the region's machinery sector has shown the most sustained growth over the current expansion, with year-over-year gains being experienced every month since February 1992.

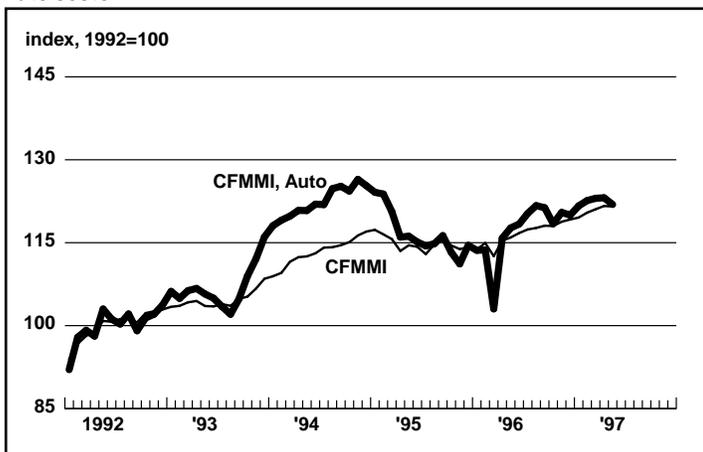
Chicago Fed Midwest Manufacturing Index



	percent change from		
	1 month ago	3 months ago	1 year ago
Chicago Fed Midwest Manufacturing Index (CFMMI)	-0.1	0.9	4.8
US Industrial Production-Manufacturing (IPMFG)	0.5	1.2	5.0

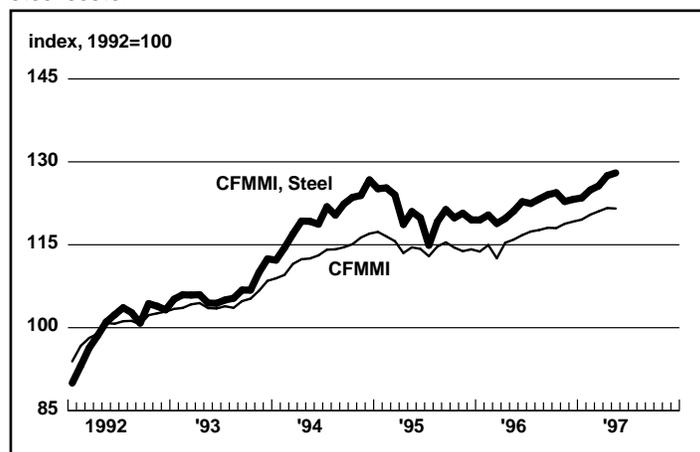
Tracking Midwest Manufacturing Activity by Sectors — May 1997

Auto Sector



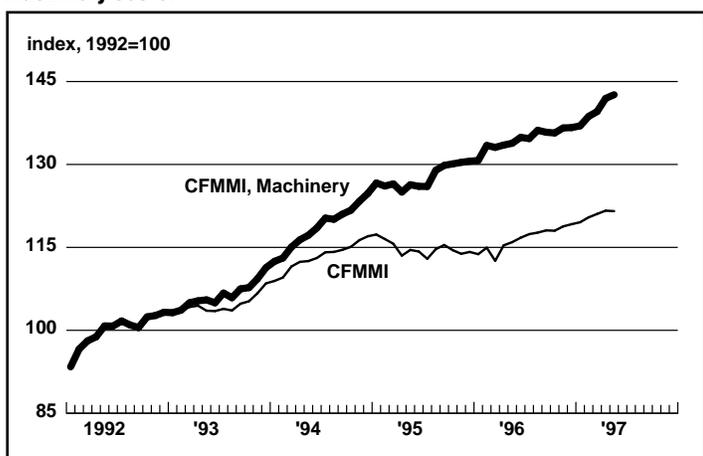
Auto Sector CFMMI Components:
Rubber and Miscellaneous Plastics Products; Transportation Equipment

Steel Sector



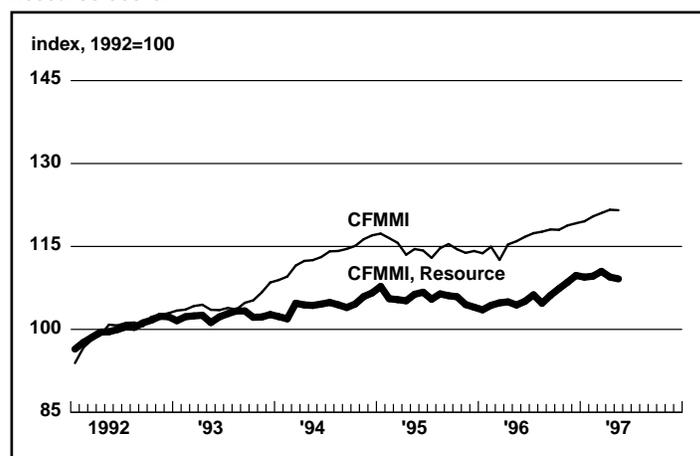
Steel Sector CFMMI Components:
Primary Metal Industries; Fabricated Metal Products

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			
	Mar 97	Apr 97	May 97	Monthly			Annual May 96-May 97
				Mar 97	Apr 97	May 97	
CFMMI	121.0	121.6	121.6	0.5	0.5	-0.1	4.8
CFMMI - Auto	123.0	123.1	121.9	0.3	0.1	-1.0	3.6
CFMMI - Steel	125.7	127.5	128.0	0.6	1.5	0.4	5.7
CFMMI - Machinery	139.6	141.9	142.6	0.6	1.7	0.5	6.6
CFMMI - Resource	110.5	109.5	109.1	0.8	-0.9	-0.3	4.5
IPMFG	120.5	120.8	121.4	0.4	0.2	0.5	5.0

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>