

**December Chicago Fed Manufacturing Index posts best performance since April**

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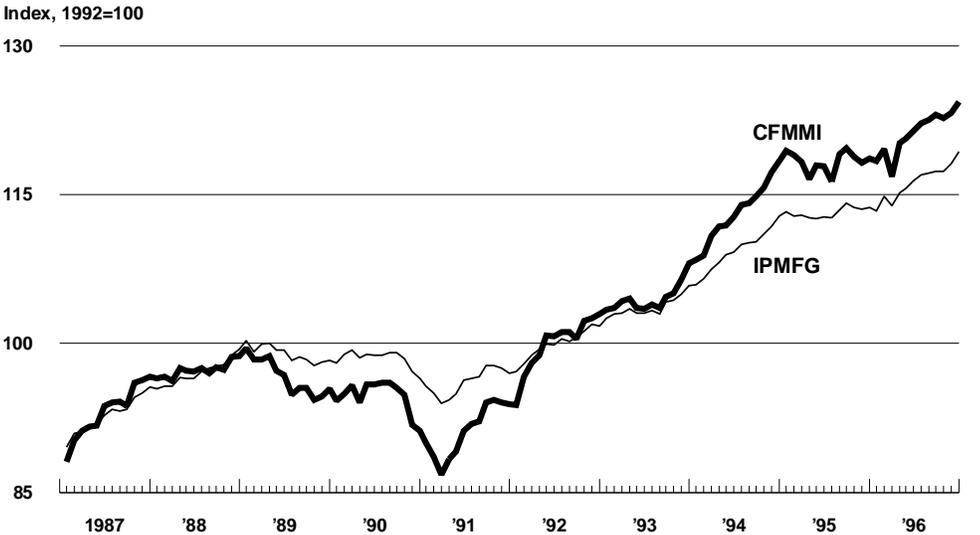
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Chicago, IL 60604**

The Chicago Fed's Midwest Manufacturing Index (CFMMI) increased by 1 percent in December, the region's best performance in eight months. The increase in the Chicago Fed Index matched the 1 percent gain in manufacturing activity nationwide, as measured by the Federal Reserve Board's Industrial Production Index.

The increase in the CFMMI was driven by the resource sector, which includes food, lumber, oil, and chemical products. Led by the food processing industry, the Midwest resource sector has increased at a pace roughly twice as fast as the nation since mid-1996. The region's machinery sector also posted solid gains, largely on the strength of a brisk level of production of nonelectrical equipment. The auto sector was unchanged from November, continuing to operate at a relatively high level after rebounding from a lackluster October performance caused by the after-effects of the General Motors strike.

Manufacturing activity in the Midwest grew at about the same rate as the U.S. during 1996, after outpacing the nation over much of the six-year expansion. Specifically, the Chicago Fed Index rose 4.8 percent from December of 1995 to December of 1996, while the national index increased 4.9 percent during the same period. The CFMMI growth during the past year is a somewhat better showing for the region relative to the nation than had been reported in earlier releases. A major revision in the national series lowered estimates of industrial production growth nationwide by over half a percentage point on a year-over-year basis. The revisions indicate that the Midwest's manufacturing sector continues to perform well relative to the nation, despite the aging of the current expansion.

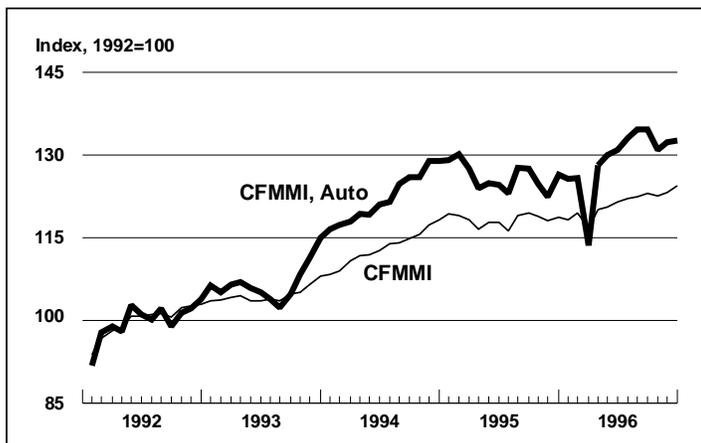
**Chicago Fed Midwest Manufacturing Index**



Manufacturing output indexes – December 1996	percent change from		
	1 month ago	3 months ago	1 year ago
Chicago Fed Midwest Manufacturing Index (CFMMI)	1.0	1.1	4.8
US Industrial Production-Manufacturing (IPMFG)	1.0	1.6	4.9

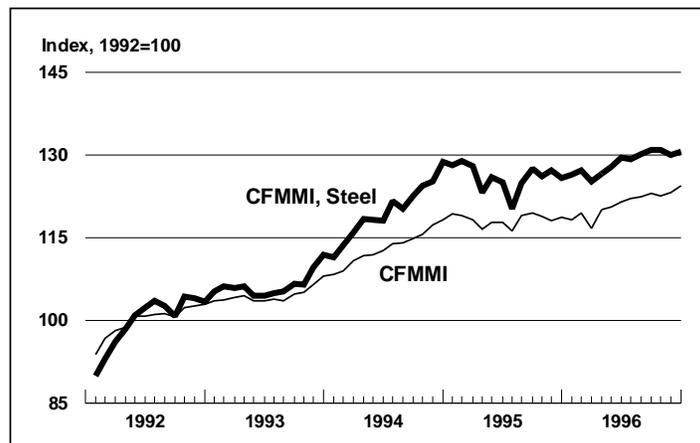
# Tracking Midwest Manufacturing Activity by Sectors — December 1996

## Auto Sector



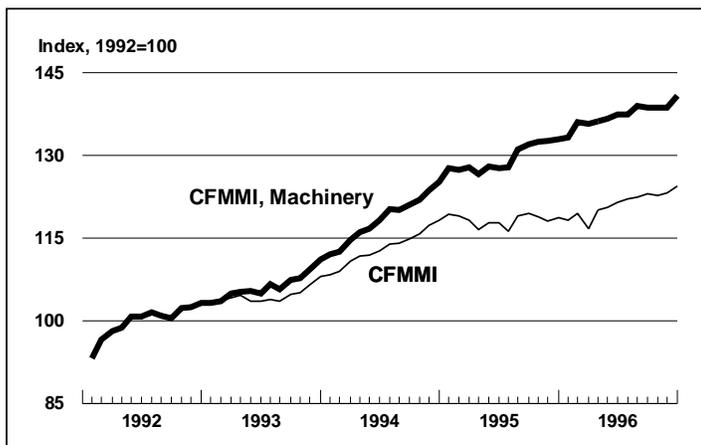
Auto Sector CFMMI Components:  
Rubber and Miscellaneous Plastics Products; Transportation Equipment

## Steel Sector



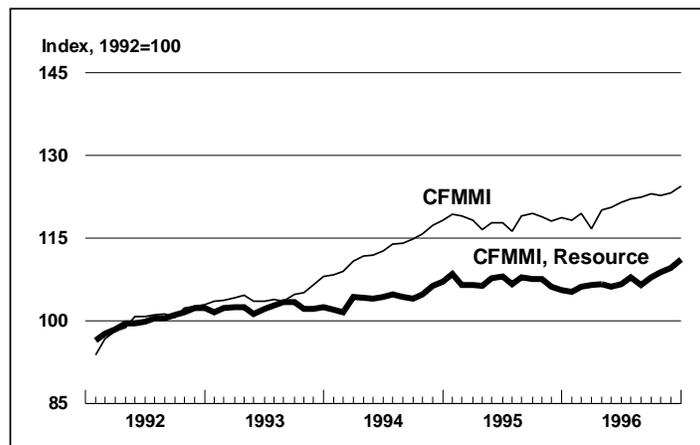
Steel Sector CFMMI Components:  
Primary Metal Industries; Fabricated Metal Products

## 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

	1996 Index, 1992=100			1996 Percent change			
	Oct	Nov	Dec	Monthly		Annual Dec 95–Dec 96	
				Oct	Nov		Dec
<b>CFMMI</b>	122.7	123.2	124.4	-0.3	0.4	1.0	4.8
<b>CFMMI - Auto</b>	131.2	132.5	132.6	-2.7	1.0	0.1	4.7
<b>CFMMI - Steel</b>	131.1	130.1	130.9	-0.1	-0.8	0.6	3.9
<b>CFMMI - Machinery</b>	138.8	138.9	141.0	0.0	0.0	1.5	5.9
<b>CFMMI - Resource</b>	108.8	109.8	111.3	0.8	0.9	1.4	5.3
<b>IPMFG</b>	117.4	118.1	119.3	0.0	0.6	1.0	4.9

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>**