

# Chicago Fed Midwest Manufacturing Index

## Led by Steel Sector, Midwest Manufacturing Index Reaches New High

Embargoed for release:  
**Noon Eastern Time**  
**11:00 am Central Time**  
**February 11, 1998**

Contact: Suzanne Heffner  
 Media Relations Manager  
 312-322-5108

Federal Reserve Bank of Chicago  
 230 South LaSalle Street  
 Chicago, IL 60604

The Chicago Fed Midwest Manufacturing Index (CFMMI) reached a record high of 126.9 (1992=100) in December. The index increased 0.8% from November to December, following a strong revised 1.1% increase in November. By comparison, the Federal Reserve Board's industrial production index for manufacturing (IP-MFG) also set a record high of 131.1 in December, representing a 0.5% increase in December following a 1.2% increase in November. The regional manufacturing index, which has been lagging the nation's manufacturing growth rate on a year-ago basis for the past eight months, closed the growth differential in December to only 0.1 percentage point. In December, the region expanded at a 6.4% rate compared with the prior year; the nation's growth was virtually the same at 6.5% over the same period. For 1997 as a whole, the region's manufacturing output grew by 5.3% over 1996, while the IP-MFG for the nation expanded at a slightly faster 5.6%.

The broad-based strong economic performance of Midwest manufacturers continued in December. Three out of the four industrial subsector indexes in the region showed an increase following the strong performance of the previous two months in which all four industrial subsector indexes in the region showed an increase. The steel sector had the strongest growth in the Midwest index, rising by a very robust 1.4% in December, matching its increase in November. The Midwest machinery sector expanded by 1.2% in December following a 1.1% increase in November. The Midwest's auto sector rose 1.1% in December following a 0.3% increase in November. The regional resource sector experienced the only downturn in December, falling by a negligible 0.1% after an extremely strong 2.0% increase in November.

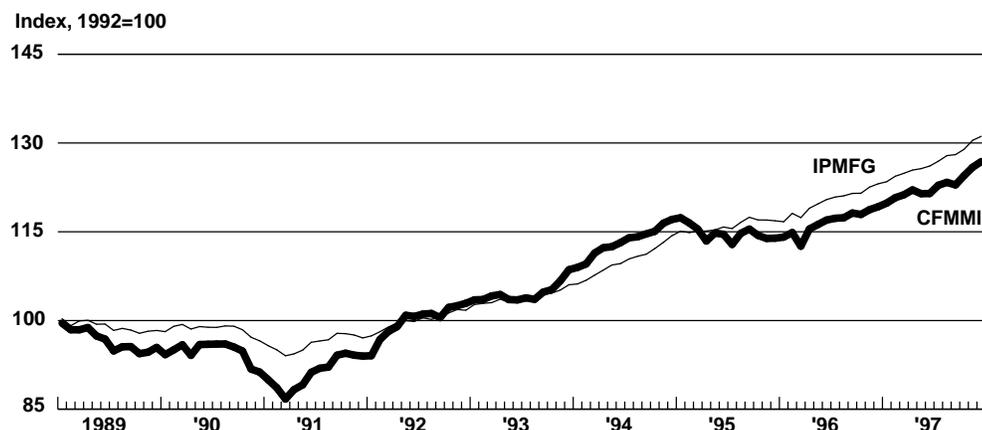
The regional steel sector's superior growth was attributed to strong gains in both primary and fabricated metal industries. This was the fourth consecutive month that regional steel production growth exceeded its national counterpart. In December, Midwest steel output growth was up 9.5% from a year ago, compared with 6.3% for the nation.

December's regional machinery index was 9.1% above its December 1996 level. Still, the regional machinery sector fell far short of the performance of the national machinery index, which was up 14.3% from a year ago. The strong regional performance in the machinery index was helped along by a record-setting year in 1997 for both Caterpillar and Deere.

Regional auto production increased by 1.1% in December compared with a decline of 0.6% for the nation. In December, Midwest auto output was 8.4% above a year ago, compared with a slightly higher national gain of 8.8%. Strong light-vehicle sales in the second half of 1997 kept vehicle inventories at reasonable levels, thereby sustaining production levels as the year came to a close.

While the regional resource index declined by 0.1% in December, the national resource production index rose by 0.4%. Relative to a year ago, the regional resource sector rose 2.0% in December compared with a 2.7% increase nationally. The weakness exhibited by the regional resource sector was primarily attributable to lumber and wood products, paper and allied products, and petroleum refining.

### Chicago Fed Midwest Manufacturing Index



The next CFMMI will be released:  
**Wednesday, March 11, 1998**  
**Noon Eastern Time**  
**11:00 am Central Time**

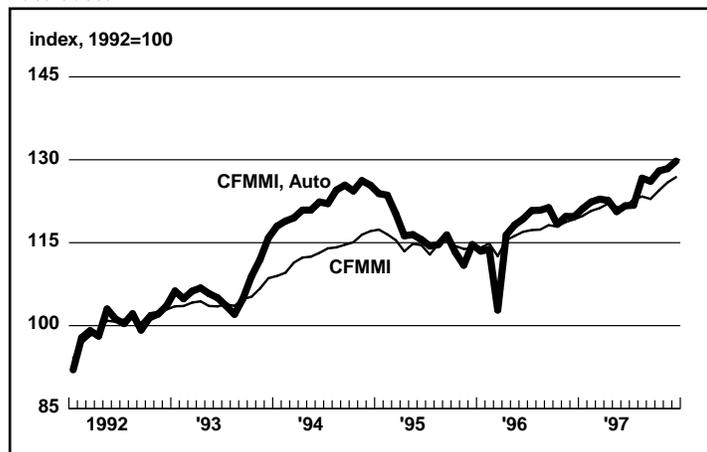
FEDERAL RESERVE BANK  
 OF CHICAGO

### Manufacturing output indexes – December 1997

	percent change from		
	1 month ago	3 months ago	1 year ago
Chicago Fed Midwest Manufacturing Index (CFMMI)	0.8	3.2	6.4
US Industrial Production-Manufacturing (IPMFG)	0.5	2.4	6.5

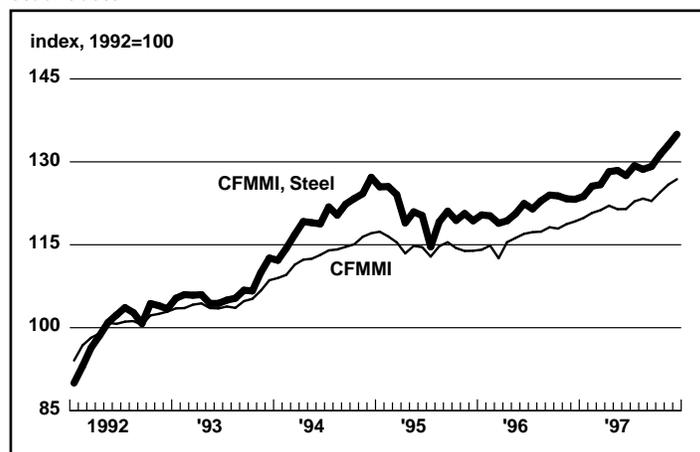
# Tracking Midwest Manufacturing Activity by Sectors — December 1997

## Auto Sector



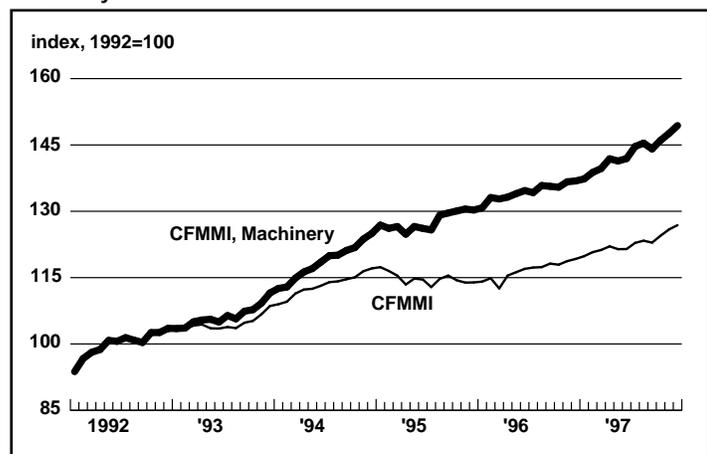
Auto Sector CFMMI Components:  
Rubber and Miscellaneous Plastics Products; Transportation Equipment

## Steel Sector



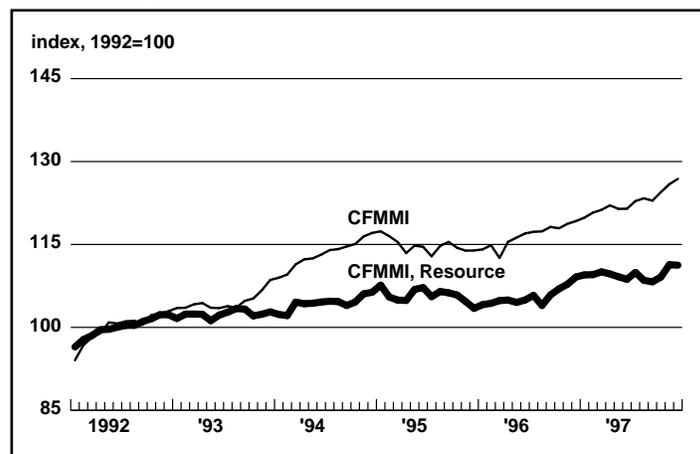
Steel Sector CFMMI Components:  
Primary Metal Industries; Fabricated Metal Products

## 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			
	Oct 97	Nov 97	Dec 97	Monthly			Annual Dec 96-Dec 97
				Oct 97	Nov 97	Dec 97	
CFMMI	124.5	125.9	126.9	1.3	1.1	0.8	6.4
CFMMI - Auto	128.0	128.4	129.8	1.5	0.3	1.1	8.4
CFMMI - Steel	131.3	133.1	135.0	1.6	1.4	1.4	9.5
CFMMI - Machinery	146.0	147.6	149.4	1.4	1.1	1.2	9.1
CFMMI - Resource	109.1	111.3	111.3	0.8	2.0	-0.1	2.0
IPMFG	128.9	130.5	131.1	0.7	1.2	0.5	6.5

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>