

**Strong Gain Pushes Index to Record High**

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

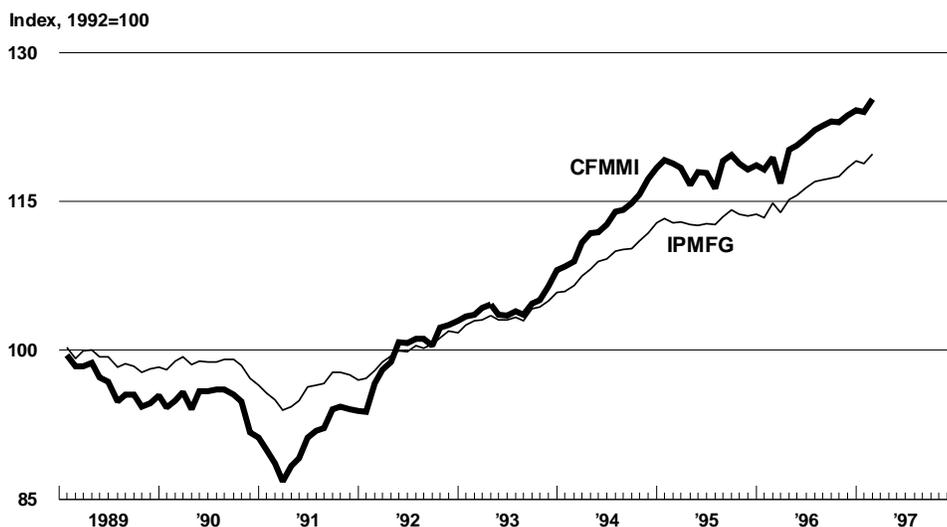
**Federal Reserve Bank of Chicago  
230 South LaSalle Street  
Chicago, IL 60604**

The Chicago Fed Midwest Manufacturing Index (CFMMI) rose 1.1 percent in February, to a record level, rebounding from January's 0.2 percent decline. By comparison, the Federal Reserve Board's industrial production index for manufacturing increased by a slightly slower 0.8 percent for the same period. For the first time since June 1996, all sectors of the CFMMI posted positive monthly growth. In addition, with the exception of the machinery sector, all other sectors in the region's index outperformed the nation's index. The growth in the region's machinery sector has lagged the nation's growth for the past six months. In particular, industrial machinery and equipment, a component of the machinery sector and the region's second largest manufacturing industry, has underperformed its national counterpart for a year.

The steel sector experienced the largest increase of any sector, rising 2.1 percent in February. While this was the steel sector's largest increase since September 1995, it comes on the heels of an 0.8 percent decline in January, a weakness attributable to outages that occurred at several of the region's steel mills. This strong showing was anticipated once these mills returned to production.

Auto production continued to grow, rising 1.5 percent in February, after increasing 0.5 percent in January. The strength in autos can be partly ascribed to General Motors recovering from its strike in late 1996 and its introduction of new models. A question raised by this high growth in auto production is whether the increase in output is translating into additional sales or, instead, being added to inventories. The strong light vehicle sales number in March of 15.7 million units indicates that this output is most likely being translated into sales.

**Chicago Fed Midwest Manufacturing Index**

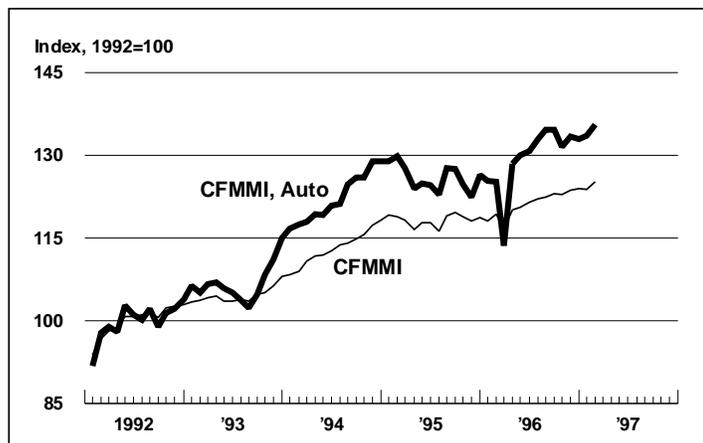


**Manufacturing output indexes – February 1997**

	<b>percent change from</b>		
	1 month ago	3 months ago	1 year ago
Chicago Fed Midwest Manufacturing Index (CFMMI)	1.1	1.3	5.0
US Industrial Production-Manufacturing (IPMFG)	0.8	1.1	4.4

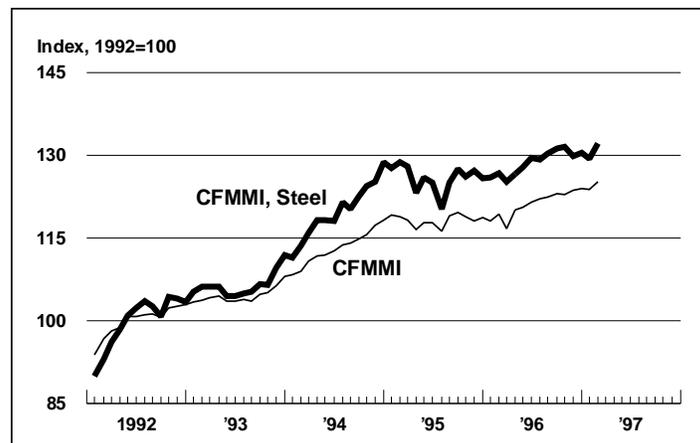
# Tracking Midwest Manufacturing Activity by Sectors — February 1997

## Auto Sector



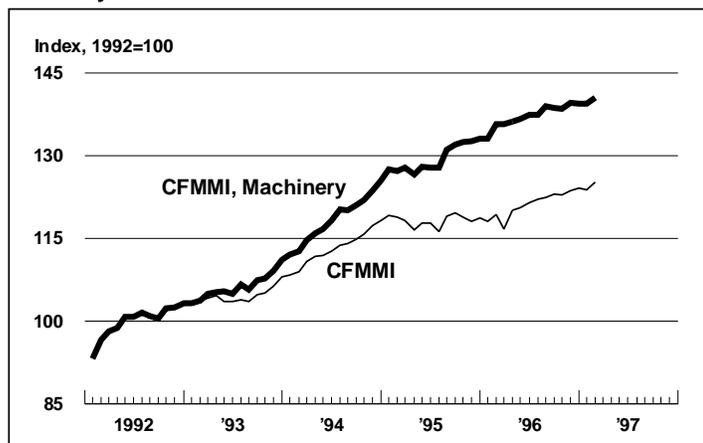
Auto Sector CFMMI Components:  
Rubber and Miscellaneous Plastics Products; Transportation Equipment

## Steel Sector



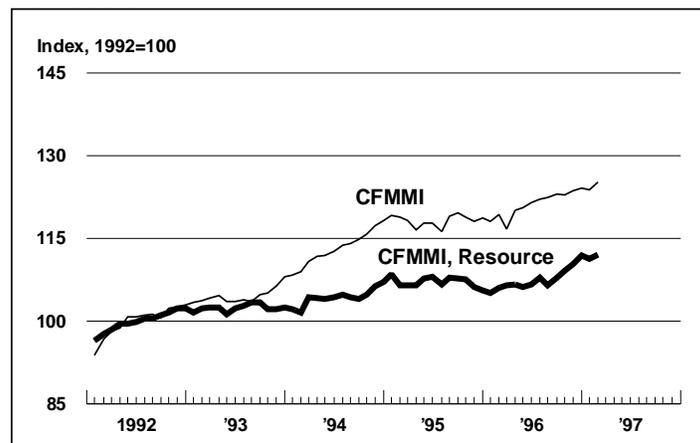
Steel Sector CFMMI Components:  
Primary Metal Industries; Fabricated Metal Products

## 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			
	Dec 96	Jan 97	Feb 97	Monthly			Annual Feb 96–Feb 97
				Dec 96	Jan 97	Feb 97	
<b>CFMMI</b>	124.2	124.0	125.3	0.4	-0.2	1.1	5.0
<b>CFMMI - Auto</b>	133.0	133.7	135.7	-0.4	0.5	1.5	8.2
<b>CFMMI - Steel</b>	130.6	129.6	132.4	0.5	-0.8	2.1	4.2
<b>CFMMI - Machinery</b>	139.5	139.5	140.7	-0.1	0.0	0.8	3.5
<b>CFMMI - Resource</b>	111.9	111.4	112.0	1.4	-0.4	0.6	5.7
<b>IPMFG</b>	119.2	118.9	119.8	0.6	-0.2	0.8	4.4

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>**