

Midwest Manufacturing Index Falls in February

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The Chicago Fed Midwest Manufacturing Index (CFMMI) declined in February for the first time in five months, falling to 126.1 (1992=100). The index decreased 0.9% from January to February, following a revised 0.3% increase in January. By comparison, the Federal Reserve Board's industrial production index for manufacturing (IP-MFG) was unchanged at 131.3 in February. Output in the region was 4.4% above a year ago in February while the nation was up 5.5%.

All four regional industrial sector indexes declined in February, the first time this has occurred since July 1995. The regional auto sector experienced the largest decrease, falling 2.3% in February following January's 1.3% decrease. Midwest steel sector output contracted 0.7% in February after a 0.2% decrease in January. The resource sector had its first decline in five months, falling 0.7% in February after rising a very strong 1.4% in January. The Midwest's machinery sector output fell by 0.6% in February after rising a robust 0.9% in January.

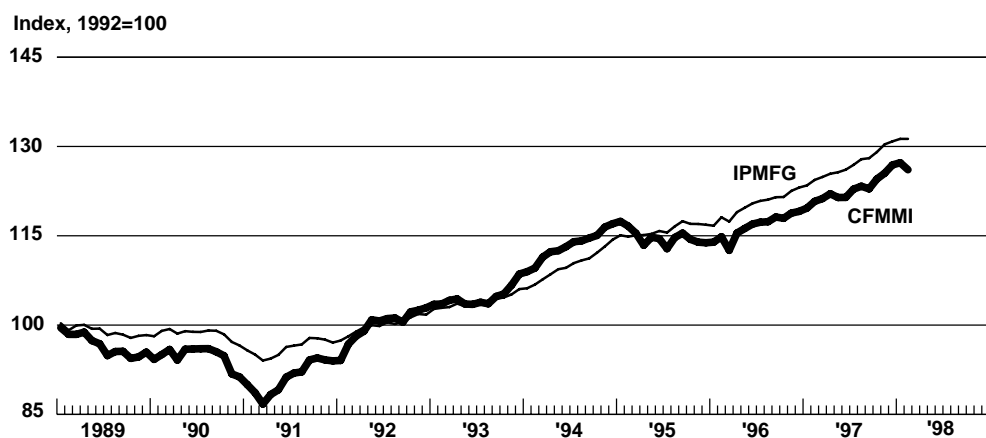
In February, Midwest auto output was 3.3% above a year ago, compared with a much higher national increase of 7.4%. As noted in previous CFMMI press releases, the Midwest has a greater specialization in the production of passenger cars than trucks. Over the past year, the Midwest produced 60% passenger cars and 40% light trucks. For the rest of the nation, the split was 42% passenger cars and 58% light trucks. Passenger car sales have been relatively sluggish for most of the current expansion, with light trucks increasing their market share from 33% at the start of the expansion to 48% this past March. Cars sales in February were 5% below a year earlier, while light truck sales were 5% higher. So the Midwest's specialization in the less popular product has contributed to underperformance of its auto sector output relative to the nation.

In February, Midwest steel output was up 4.8% from a year ago, compared with 3.9% for the nation. Both the Midwest and the nation's growth rates from a year ago eased in February compared with January. Even with some slowing in regional steel output growth, the Midwest's steel sector's growth rate from the prior year exceeded the nation's for the fifteenth consecutive month.

The February decline in the region's resource sector output reflected weakness in food processing and in stone, clay, glass and concrete products. Relative to a year earlier, however, Midwest resource sector output was up 3.0%, or slightly more than the 2.7% gain nationally.

Of the four sectors, machinery output continued to show the strongest growth relative to a year ago in both the region and the nation. In February, regional machinery output stood 7.5% above its February 1997 level, down from the 9.4% gain recorded the prior month. The nation's growth rate moderated to a still very strong 12.6% in February from 14.0% in January.

Chicago Fed Midwest Manufacturing Index



The next CFMMI will be released:
Monday May 11, 1998
Noon Eastern Time
11:00 am Central Time

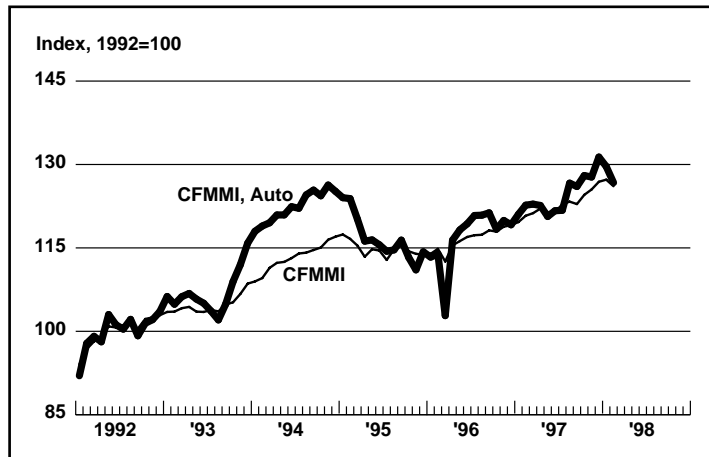
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Manufacturing output indexes – February 1998

	percent change from		
	1 month ago	3 months ago	1 year ago
Chicago Fed Midwest Manufacturing Index (CFMMI)	-0.9	0.5	4.4
US Industrial Production-Manufacturing (IPMFG)	0.0	0.7	5.5

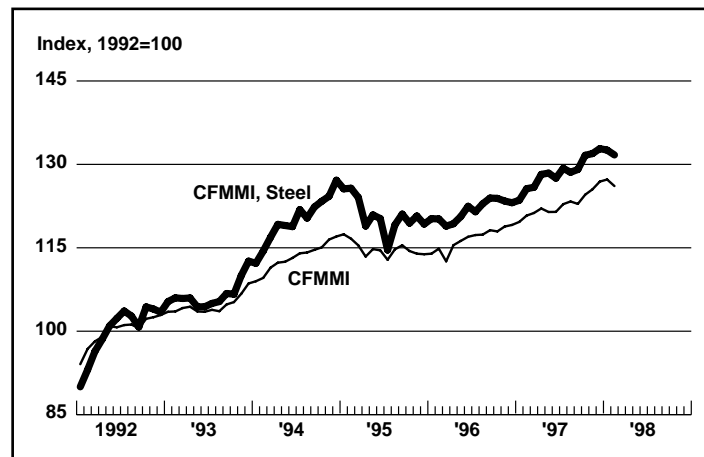
Tracking Midwest Manufacturing Activity by Sectors — February 1998

Auto Sector



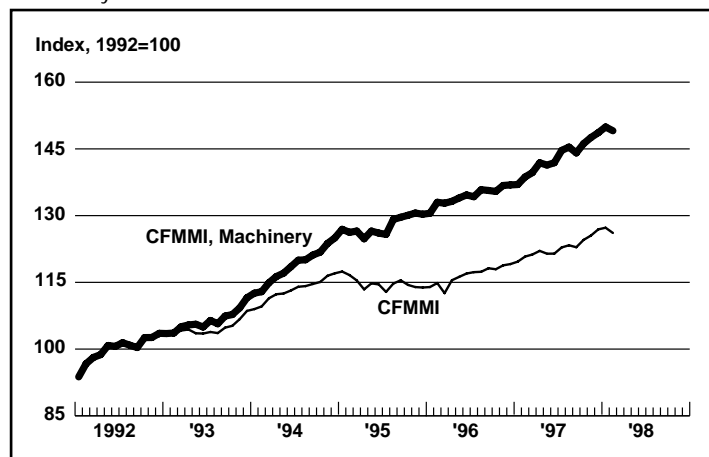
Auto Sector CFMMI Components:
Rubber and Miscellaneous Plastics Products; Transportation Equipment

Steel Sector



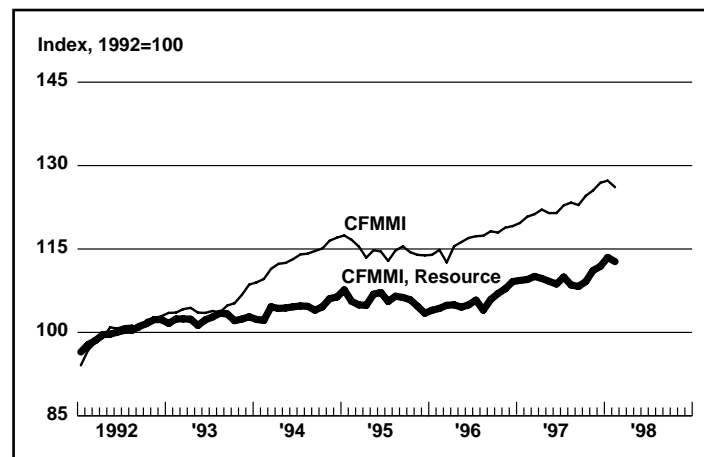
Steel Sector CFMMI Components:
Primary Metal Industries; Fabricated Metal Products

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-97	Jan-98	Feb-98	Monthly			Annual Feb-97 Feb-98
				Dec-97	Jan-98	Feb-98	
CFMMI	126.9	127.3	126.1	1.1	0.3	-0.9	4.4
CFMMI - Auto	131.3	129.6	126.7	2.8	-1.3	-2.3	3.3
CFMMI - Steel	132.8	132.6	131.7	0.7	-0.2	-0.7	4.8
CFMMI - Machinery	148.6	149.9	149.1	0.7	0.9	-0.6	7.5
CFMMI - Resource	111.8	113.5	112.7	0.7	1.4	-0.7	3.0
IPMFG	130.9	131.3	131.3	0.4	0.3	0.0	5.5

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

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>