

Midwest Manufacturing Index Reaches New High – For Fourth Straight Month

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The Chicago Fed Midwest Manufacturing Index (CFMMI) reached a record high of 127.6 (1992=100) in January. The index increased 0.6% from December to January, following a strong revised 1.1% increase in December. By comparison, the Federal Reserve Board's industrial production index for manufacturing (IP-MFG) also set a record high of 131.2 in January, representing a 0.3% increase following a 0.4% increase in December. This marked the second consecutive month that the regional manufacturing index posted stronger month-to-month growth than the national index. In January, output in the region was 6.6% above a year ago while the nation was up 6.3%.

The regional resource sector experienced the largest increase in January, rising 2.0% following December's 0.4% increase. The Midwest machinery sector expanded by 0.7% in January after a 0.9% increase in December. The steel sector had its first decline in five months, falling 0.3% in January after rising a very strong 0.9% in December. The Midwest's auto sector output also fell in January, declining 0.7% on the heels of a very robust December increase of 2.7%.

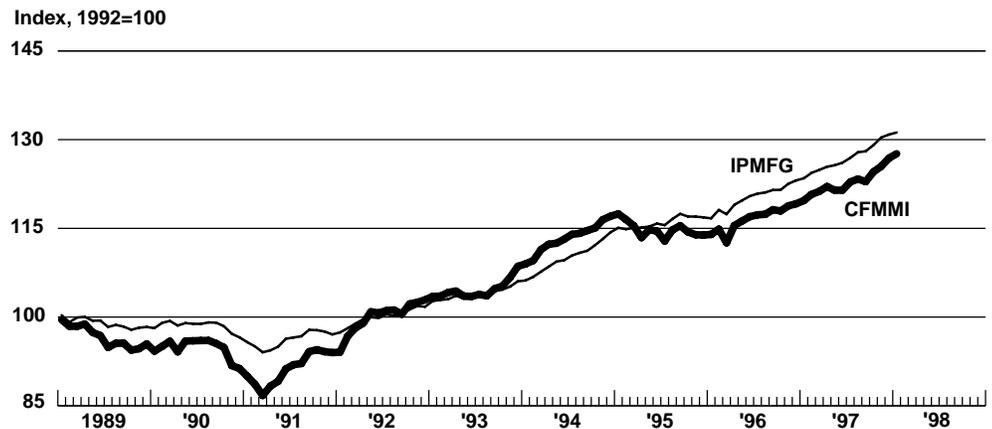
The stellar performance in January by the regional resource sector needs to be put in perspective. For the past six months, the resource sector, comprised of food, lumber, paper, chemicals, petroleum, and stone, clay, glass and concrete products, has had the slowest growth among the four subsectors, both regionally and nationally. Over the 12 months ended in January, the resource sector expanded 4.0% in the Midwest and 2.8% nationally. The regional strength in January can be attributed largely to the food sector and to a lesser extent to paper and chemicals. Several food and chemical manufacturers in the Midwest have reported record sales and net incomes for the most recent quarter.

The machinery index has been the strongest growing sector on an annualized basis for both the region and the nation. In January, regional machinery output stood 9.3% above its January 1997 level, the largest gain in nearly three years, while the nation was 13.8% higher. The strength in the machinery sector was due to gains in electronic and other electrical equipment.

The regional steel sector's weakness in January was attributed to softness in the primary metals industries. In January, Midwest steel output growth was up 7.4% from a year ago, compared with 5.6% for the nation. On a percent change from a year-ago basis, this marks the fourteenth consecutive month that the regional steel industry has posted stronger growth than the nation.

In January, Midwest auto output was 7.6% above a year ago, compared with a higher national gain of 8.5%. One possible factor for the slowdown in January production was an increase in light vehicle inventories. Passenger car inventories rose from 50 days at the end of August to 86 days in January. Light truck inventories were at an even higher level of 90 days in January. Another possible factor is light vehicle import penetration. Although total sales during 1997 were virtually the same as in 1996 at just over 15 million units, the import sales increased 14%, while domestically-produced vehicle sales declined nearly 2%.

Chicago Fed Midwest Manufacturing Index



The next CFMMI will be released:
Friday, April 10, 1998
Noon Eastern Time
11:00 am Central Time

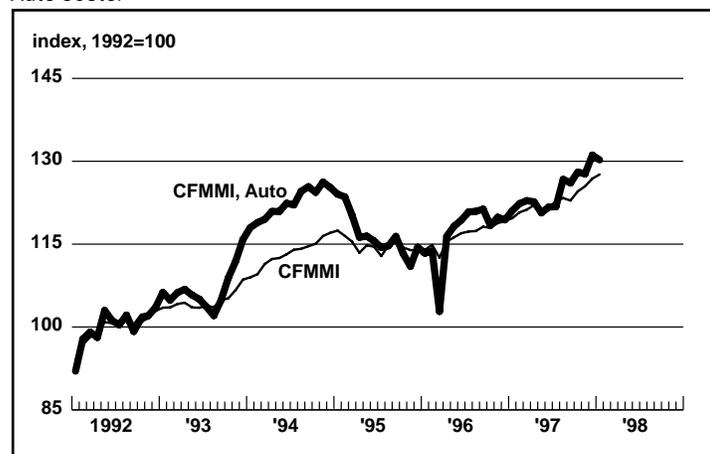
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Manufacturing output indexes – January 1998

	percent change from		
	1 month ago	3 months ago	1 year ago
Chicago Fed Midwest Manufacturing Index (CFMMI)	0.6	2.5	6.6
US Industrial Production-Manufacturing (IPMFG)	0.3	1.7	6.3

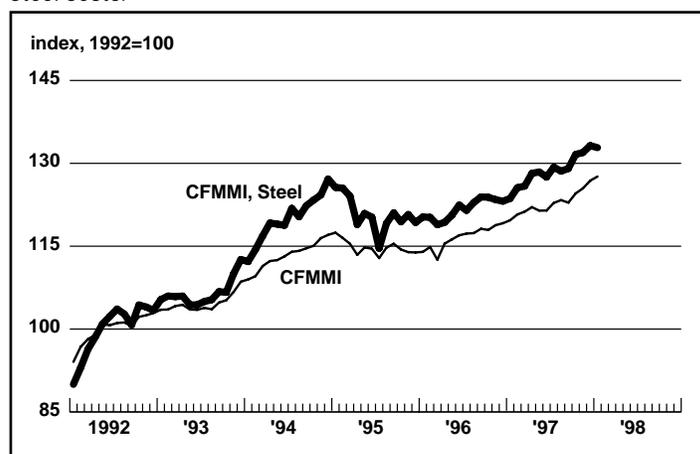
Tracking Midwest Manufacturing Activity by Sectors — January 1998

Auto Sector



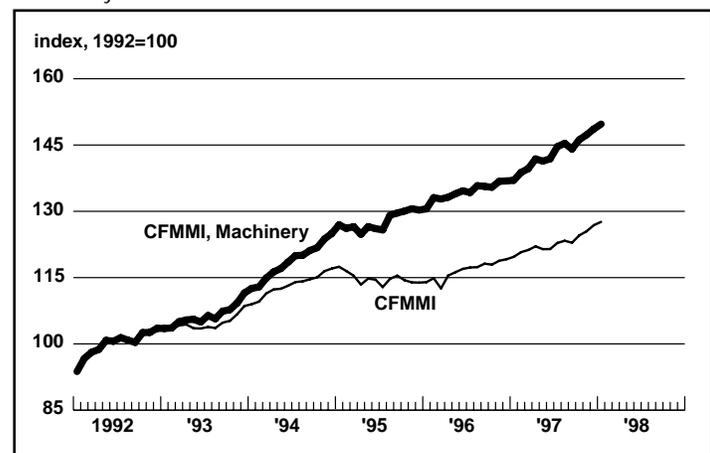
Auto Sector CFMMI Components:
Rubber and Miscellaneous Plastics Products; Transportation Equipment

Steel Sector



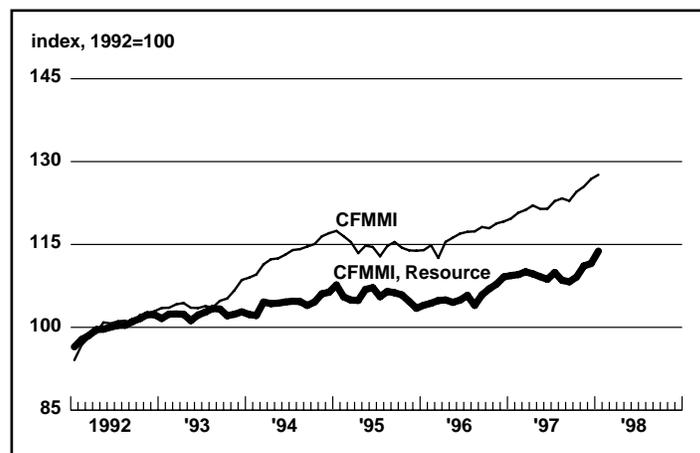
Steel Sector CFMMI Components:
Primary Metal Industries; Fabricated Metal Products

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			
	Nov 97	Dec 97	Jan 98	Monthly			Annual Jan 97-Jan 98
				Nov 97	Dec 97	Jan 98	
CFMMI	125.5	126.9	127.6	0.7	1.1	0.6	6.6
CFMMI - Auto	127.7	131.1	130.3	-0.3	2.7	-0.7	7.6
CFMMI - Steel	132.0	133.2	132.8	0.3	0.9	-0.3	7.4
CFMMI - Machinery	147.3	148.6	149.7	0.8	0.9	0.7	9.3
CFMMI - Resource	111.1	111.6	113.8	1.8	0.4	2.0	4.0
IPMFG	130.4	130.9	131.2	1.0	0.4	0.3	6.3

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>