

Midwest Manufacturing Index Rises in May

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The Chicago Fed Midwest Manufacturing Index (CFMMI) rose 0.2% in May from April, to a level of 126.4 (1992=100), following a revised increase of 0.6% in April. Likewise, the Federal Reserve Board's industrial production index for manufacturing (IP-MFG) rose by 0.2% in May from April, after increasing by 0.5% in April. Output in the region was 4.2% above a year ago in May while the nation's output was up 4.7%.

Three sectors in the region expanded in May, while only the regional auto sector declined. The regional machinery sector experienced the largest increase, rising 0.5% in May following April's 0.4% increase. Midwest resource sector output expanded by 0.4% in May after a 1.2% increase in April. The steel sector increased by 0.3% in May after having fallen by 0.2% in April. Midwest auto sector output contracted 0.3% in May after having risen by 0.7% in both April and March.

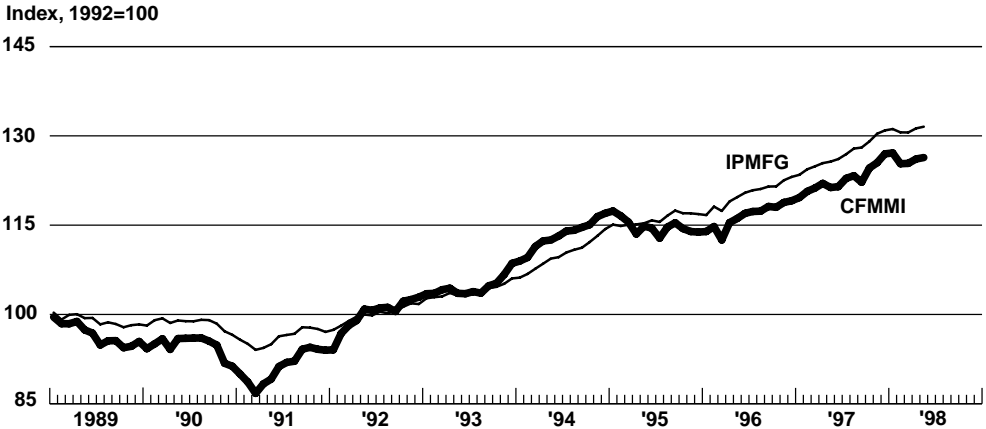
As was the case from December through April, of the four sectors, machinery output continued to show the strongest growth relative to a year ago in both the region and the nation. In May, regional machinery output stood 6.8% above its May 1997 level, up from the 5.8% gain recorded the prior month. The nation's growth rate from the prior year was a strong 11.5% in May, the same as in April.

The May increase in the region's resource sector output reflected strong growth in petroleum refining; food processing; lumber and wood products; and stone, clay, glass and concrete products. Compared with a year ago, Midwest resource sector output was up 3.9%, while the nation expanded at a somewhat weaker 2.5%.

The regional steel sector's May increase followed four consecutive month-to-month declines. In May, Midwest steel output was 2.0% above a year ago, compared with a slightly weaker national increase of 1.6%. The strength in the regional steel sector was primarily due to a strong increase in May from April in fabricated metal products.

The auto sector was the only CFMMI component exhibiting weakness in May, due primarily to declines in the rubber and miscellaneous product category. Compared with a year earlier, Midwest auto sector output was up 4.6% in May. The nation's auto sector was quite a bit stronger than the region with output 6.7% above May 1997. The region's greater concentration of passenger car production relative to the hotter selling light trucks continued to hinder its growth performance.

Chicago Fed Midwest Manufacturing Index



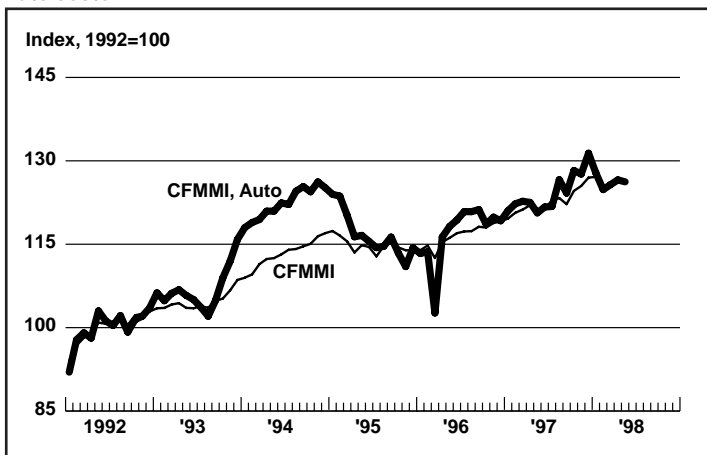
The next CFMMI will be released:
 Tuesday, August 11, 1998
 Noon Eastern Time
 11:00 am Central Time

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| Manufacturing output indexes – May 1998 | percent change from | | |
|---|---------------------|--------------|------------|
| | 1 month ago | 3 months ago | 1 year ago |
| Chicago Fed Midwest Manufacturing Index (CFMMI) | 0.2 | 0.8 | 4.2 |
| US Industrial Production-Manufacturing (IPMFG) | 0.2 | 0.7 | 4.7 |

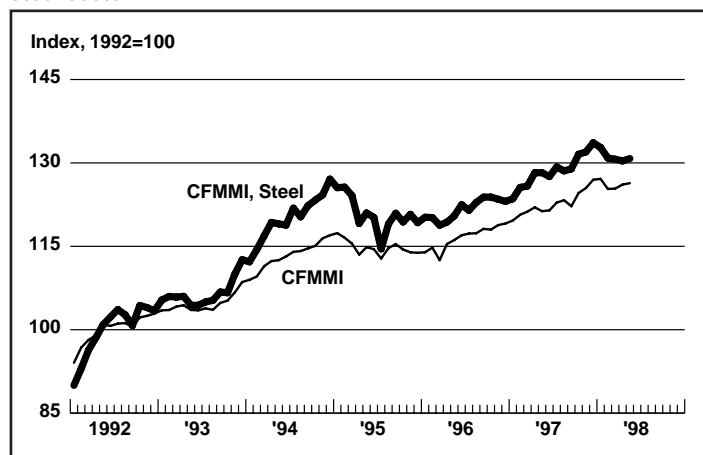
Tracking Midwest Manufacturing Activity by Sectors — May 1998

Auto Sector



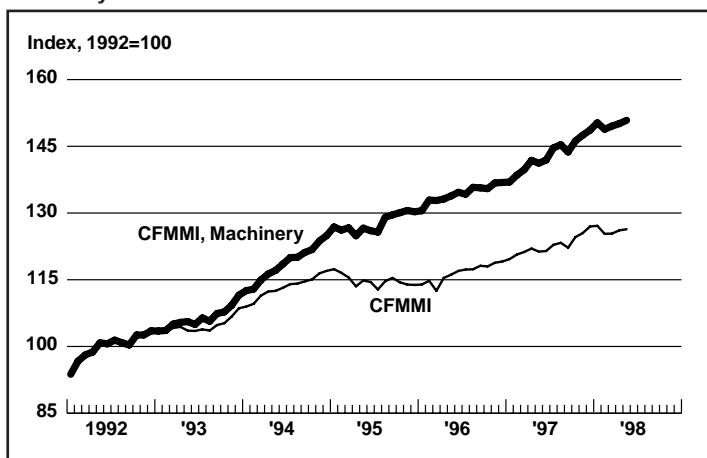
Auto Sector CFMMI Components:
Rubber and Miscellaneous Plastics Products; Transportation Equipment

Steel Sector



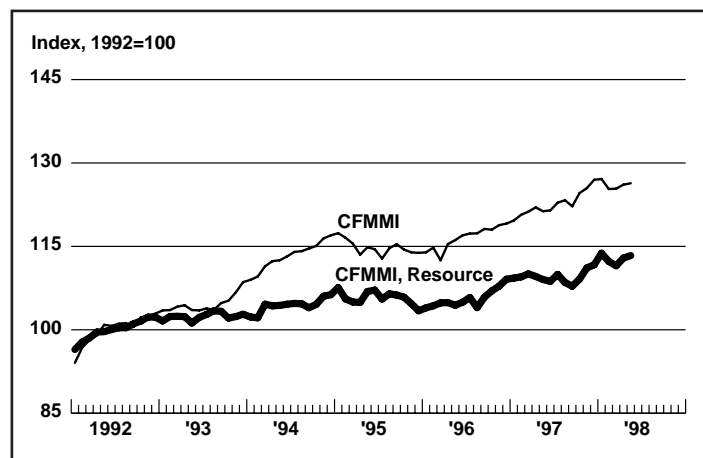
Steel Sector CFMMI Components:
Primary Metal Industries; Fabricated Metal Products

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 | | | |
|-------------------|-----------------|--------|--------|----------------|--------|--------|-------------------------|
| | Mar 98 | Apr 98 | May 98 | Monthly | | | Annual May 97–May 98 |
| | | | | Mar 98 | Apr 98 | May 98 | |
| CFMMI | 125.4 | 126.1 | 126.4 | 0.0 | 0.6 | 0.2 | 4.2 |
| CFMMI - Auto | 125.7 | 126.6 | 126.2 | 0.7 | 0.7 | -0.3 | 4.6 |
| CFMMI - Steel | 130.7 | 130.4 | 130.8 | -0.2 | -0.2 | 0.3 | 2.0 |
| CFMMI - Machinery | 149.5 | 150.1 | 150.8 | 0.5 | 0.4 | 0.5 | 6.8 |
| CFMMI - Resource | 111.5 | 112.9 | 113.3 | -0.7 | 1.2 | 0.4 | 3.9 |
| IPMFG | 130.6 | 131.2 | 131.5 | 0.0 | 0.5 | 0.2 | 4.7 |

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>