News Release

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Manufacturing output indexes – April 1999

<table>
<thead>
<tr>
<th>Index, 1992=100</th>
<th>1 month ago</th>
<th>3 months ago</th>
<th>1 year ago</th>
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<tbody>
<tr>
<td>Chicago Fed Midwest Manufacturing Index (CFMMI)</td>
<td>1.0</td>
<td>1.6</td>
<td>2.2</td>
</tr>
<tr>
<td>US Industrial Production-Manufacturing (IPMFG)</td>
<td>0.6</td>
<td>1.4</td>
<td>2.5</td>
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</tbody>
</table>

Chicago Fed Midwest Manufacturing Index

Midwest manufacturing output bests nation for second consecutive month

The Chicago Fed Midwest Manufacturing Index (CFMMI) rose 1.0% from March to April, to a new record seasonally adjusted level of 131.4 (1992=100); revised data show the index rose 0.8% in March. The Federal Reserve Board’s industrial production index for manufacturing (IPMFG) increased 0.6% in April after having risen 0.4% the prior month. April output in the region was 2.2% higher than a year earlier, while the nation’s output was up 2.5%. This represented the third consecutive month that growth from a year ago has improved for the Midwest.

Of the four regional subsectors measured, the Midwest machinery sector showed the strongest gain, rising 2.6% in April after having increased by 0.6% in March. The other regional subsectors all increased by a very consistent 0.3%. The Midwest’s auto sector’s gain was preceded by a 2.6% gain in March. Regional steel sector’s output gain in the prior month was 0.9%. The regional resource sector’s production in the prior period decreased 0.4%.

The region’s machinery sector’s sharp output advance of 2.6% in April was quite a bit stronger than the 1.6% gain experienced by the nation. This was the first time since August 1998 that the Midwest region grew at a faster monthly rate than the nation. The strength in the regional machinery sector can be isolated to the gains in electronic and other electrical equipment and components. The continuing good housing market may be partially responsible for the strong April numbers. In April, regional machinery output stood 5.0% above its April 1998 level. The nation’s growth from the prior year was stronger at 10.8%.

The regional auto sector’s increase in April matched the 0.3% increase of the nation. The increases for the regional auto sector can be attributed to several factors. Light vehicle sales remained very strong through April and were selling at a seasonally adjusted annual rate of 16.2 million units; this is 7.1% more units than were sold in the first four months of 1998. The Midwest region has a greater concentration in passenger car production and cars have been selling better recently. Passenger car sales for the first four months of this year are 4.6% higher than a year earlier, doing much better than the 0.5% decline they experienced during 1998. Compared with a year earlier, Midwest auto sector output was up 3.6% in April. In contrast, the nation’s auto sector output was 2.7% above April 1998.

The regional steel sector’s 0.3% increase in April was higher than the 0.1% gain experienced nationally. Demand for Midwest steel was assisted by strength in vehicle production that offset weakness in the agricultural equipment industry. In April, Midwest steel sector output was 0.6% below a year ago, less than the nation’s 2.4% decline. Steel industry output appeared to continue to be hampered by large inventories brought about by the steel import surge of last year.

The April increase of 0.3% in the region’s resource sector equaled the nation’s gain. The Midwest’s output increase reflects gains in petroleum; paper; and lumber. Compared with a year ago, Midwest resource sector output was 0.6% higher in April, lower than the nation’s 1.2% gain.

— William A. Strauss • Senior Economist and Economic Advisor • 312-322-8151
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