

Midwest manufacturing sector fails to rebound from October dip.

**Embargoed for release:
Noon Eastern Time
11:00 am Central Time
January 13, 1997**

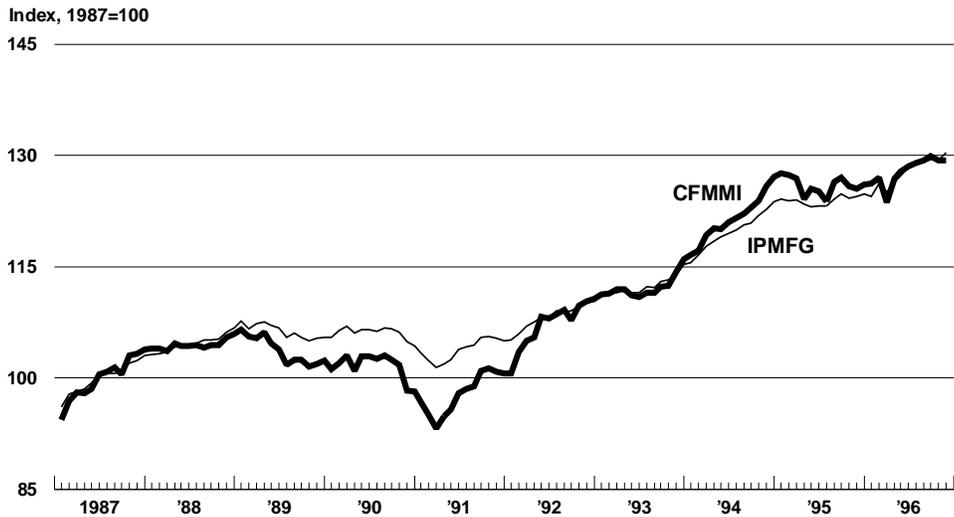
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Midwest Manufacturing activity was flat in November following a 0.3 percent decline in October, according to the Chicago Fed Midwest Manufacturing Index (CFMMI). Both the steel and auto sectors in the region remained depressed in November, suggesting that the effects of the General Motors strike lingered on. October's decline has been largely attributed to the GM strike, which closed both auto assembly and parts plants around the Midwest and may have also disrupted steel output. However, the biggest pocket of weakness during November occurred in the machinery sector, which was down 1 percent from the previous month. Nonelectrical machinery, such as machine tools, declined more than 2 percent and electrical equipment remaining virtually unchanged. Only the resource sector advanced, led by food processing and petroleum products.

The Midwest manufacturing sector significantly underperformed the nation during November, after closely tracking the nation during September and October. National manufacturing activity increased 0.8 percent in November, as measured by the Federal Reserve Board's U.S. Industrial Production Index. Much of the region's underperformance can be traced to the auto sector, especially in the Detroit area, suggesting that the Midwest has been slower to recover from the effects of the strike than the rest of the nation. The region's machinery sector also lagged the nation. Anecdotal reports from durable goods producers indicate some slowing in demand, but not enough to suggest that the production declines showing up in the November CFMMI are likely to persist. With auto production improving and generating solid demand for steel, auto parts, and equipment, the Midwest manufacturing sector is likely to begin closing the November gap over the next few months.

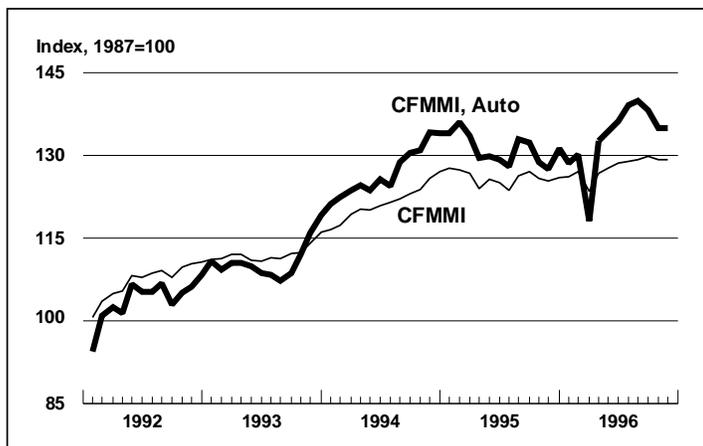
Chicago Fed Midwest Manufacturing Index



Manufacturing output indexes – November 1996	percent change from		
	1 month ago	3 months ago	1 year ago
Chicago Fed Midwest Manufacturing Index (CFMMI)	0.0	0.0	3.1
US Industrial Production-Manufacturing (IPMFG)	0.8	0.9	4.7

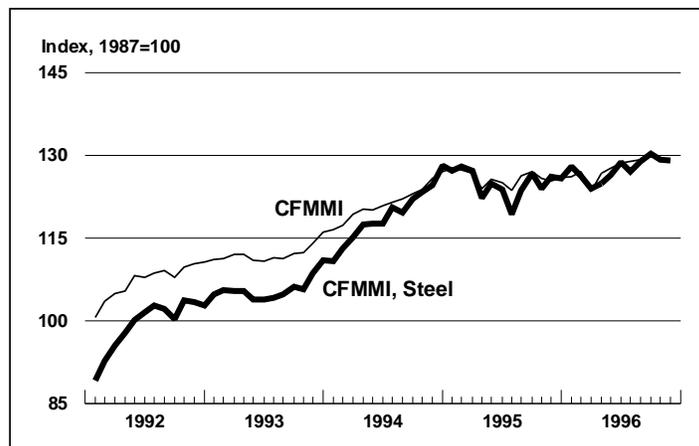
Tracking Midwest Manufacturing Activity by Sectors — November 1996

Auto Sector



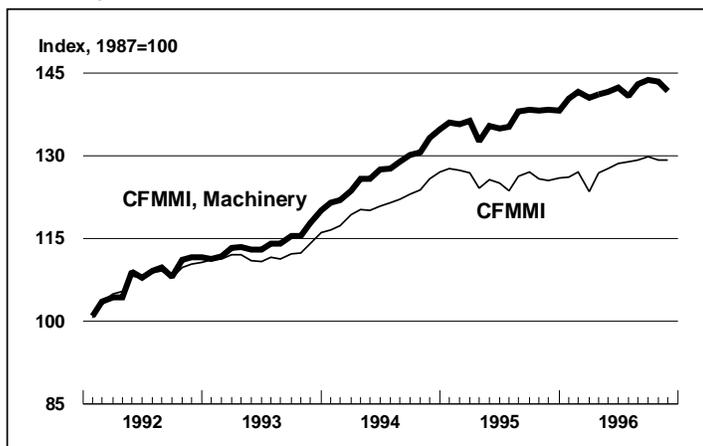
Auto Sector CFMMI Components:
Rubber and Miscellaneous Plastics Products; Transportation Equipment

Steel Sector



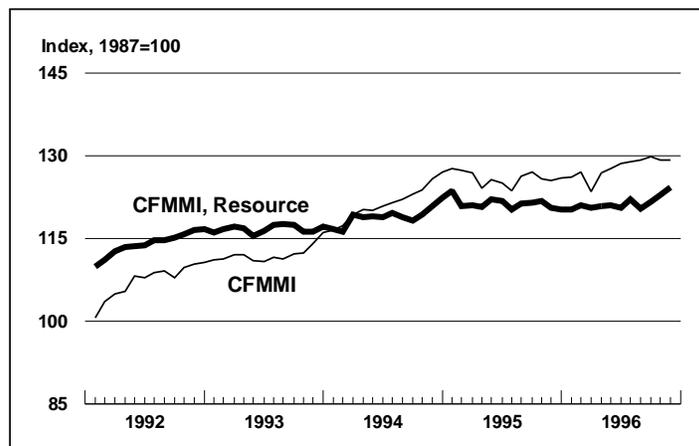
Steel Sector CFMMI Components:
Primary Metal Industries; Fabricated Metal Products

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

	1996 Index, 1987=100			1996 Percent change			
	Sept	Oct	Nov	Monthly			Annual Nov 95–Nov 96
				Sept	Oct	Nov	
CFMMI	129.9	129.5	129.5	0.3	-0.3	0.0	3.1
CFMMI - Auto	138.3	135.2	135.1	-1.3	-2.2	0.0	5.9
CFMMI - Steel	130.4	129.4	129.2	1.1	-0.8	-0.2	2.3
CFMMI - Machinery	143.9	143.5	142.0	0.5	-0.3	-1.0	2.6
CFMMI - Resource	121.8	122.9	124.3	1.1	0.9	1.1	2.9
IPMFG	129.6	129.4	130.4	0.3	-0.2	0.8	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>