

Chicago Fed Index posts slight decline in October, but outperforms the nation

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**Contact: Suzanne Heffner
Media Relations Manager
312-322-5108**

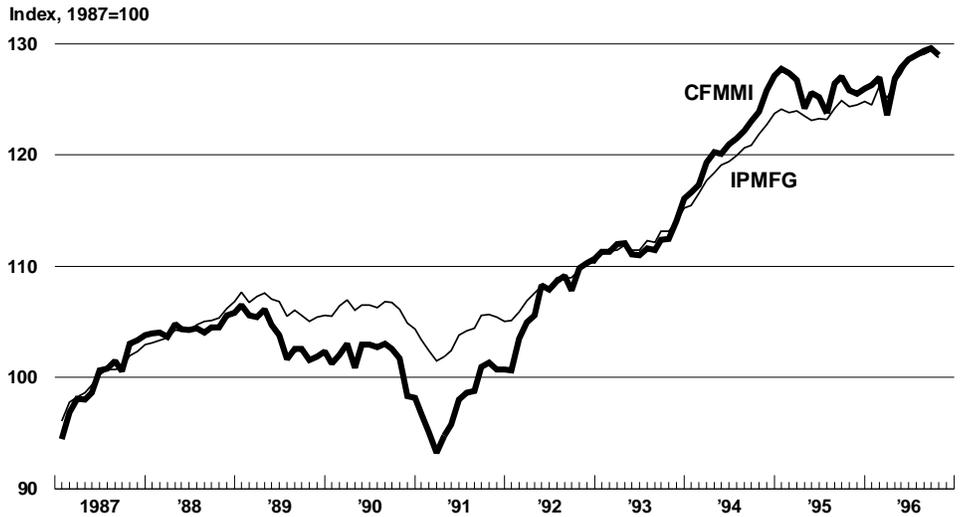
**Federal Reserve Bank of Chicago
230 South LaSalle Street
Chicago, IL 60604**

The Chicago Fed's Midwest Manufacturing Index in October recorded its first monthly decline since March of this year. While October's decline (-0.4%, s.a.) was far less severe than in March (-2.7%), the cause could largely be traced to a similar source—a strike against an auto company that closed critical parts plants. The impact of that strike can be clearly seen in an 8% decline in auto assemblies in October. With the effects of the strike spilling over into November, the possibility of another manufacturing output decline in November cannot be ruled out.

Although the October decline in the CFMMI largely mirrored the decline in the U.S. Industrial Production Index's manufacturing component, the national decline was slightly deeper (-0.5%) than the region's. Part of the reason the Midwest fared somewhat better than the nation was that its auto sector declined at only half the rate of the nation as a whole. In contrast, the Midwest experienced a much more severe decline in its auto sector during last March's strike than was experienced nationwide.

Similar to the auto sector, both the Midwest's steel and resource sectors did as well or better than their national counterparts. While its steel sector declined, perhaps partly because of disruptions in the auto sector, that decline was slightly less steep than for the rest of the nation. Within the sector, steel production in the Midwest was essentially unchanged, while much of the sector's decline was concentrated in metal fabrication. In its resource sector, only the Midwest's petroleum products industry substantially underperformed its national counterpart, while every other industry in the sector did about as well as or better than nationwide. Arguably the only disappointment in the overall CFMMI was the underperformance of the machinery sector, which had been outpacing the nation in recent months. Virtually all of the region's weakness came from the non-electrical side of the machinery sector.

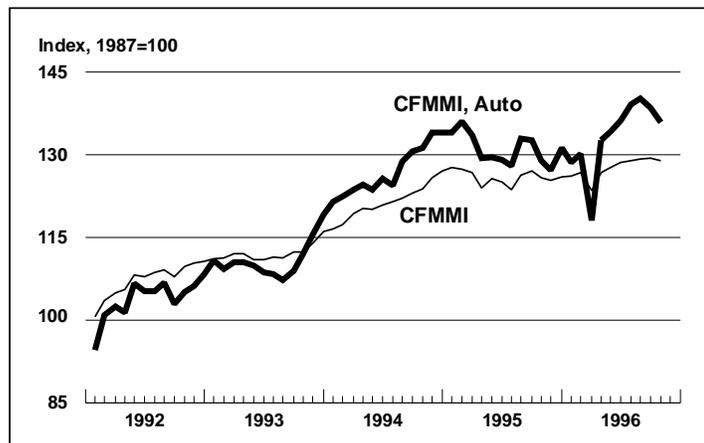
Chicago Fed Midwest Manufacturing Index



	percent change from		
	1 month ago	3 months ago	1 year ago
Chicago Fed Midwest Manufacturing Index (CFMMI)	-0.4	0.0	2.5
US Industrial Production-Manufacturing (IPMFG)	-0.5	-0.1	3.6

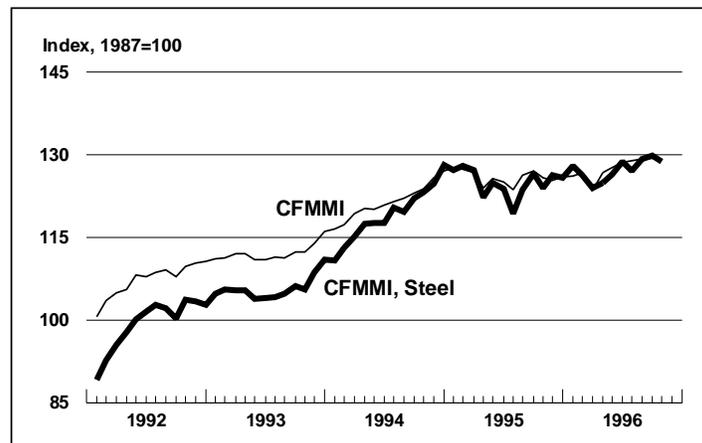
Tracking Midwest Manufacturing Activity by Sectors — October 1996

Auto Sector



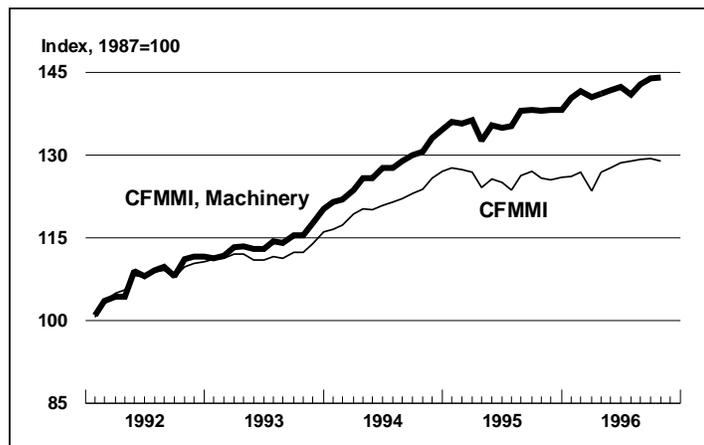
Auto Sector CFMMI Components:
Rubber and Miscellaneous Plastics Products; Transportation Equipment

Steel Sector



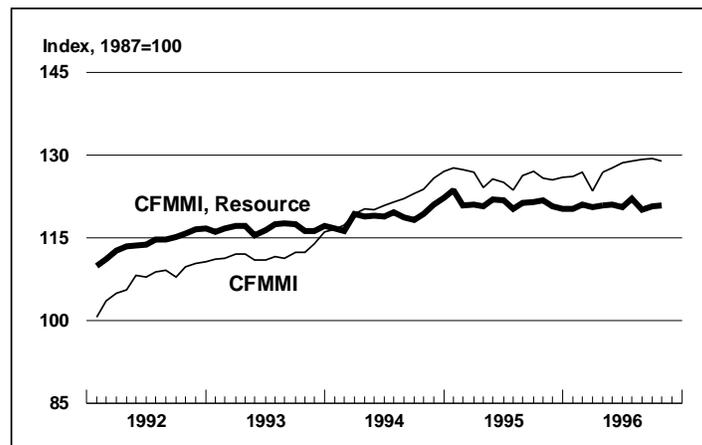
Steel Sector CFMMI Components:
Primary Metal Industries; Fabricated Metal Products

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			
	August	Sept	Oct	Monthly			Annual Oct 95–Oct 96
				August	Sept	Oct	
CFMMI	129.4	129.6	129.0	0.3	0.1	-0.4	2.5
CFMMI - Auto	140.4	138.6	136.0	0.8	-1.3	-1.8	5.4
CFMMI - Steel	129.4	130.0	128.9	1.8	0.4	-0.8	3.8
CFMMI - Machinery	143.0	144.0	144.3	1.4	0.7	0.2	4.4
CFMMI - Resource	120.1	120.8	121.0	-1.8	0.6	0.1	-0.7
IPMFG	129.1	129.5	128.9	0.1	0.3	-0.5	3.6

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>