

# Chicago Fed Midwest Manufacturing Index

## Steel Sector Pushes Index to Record High

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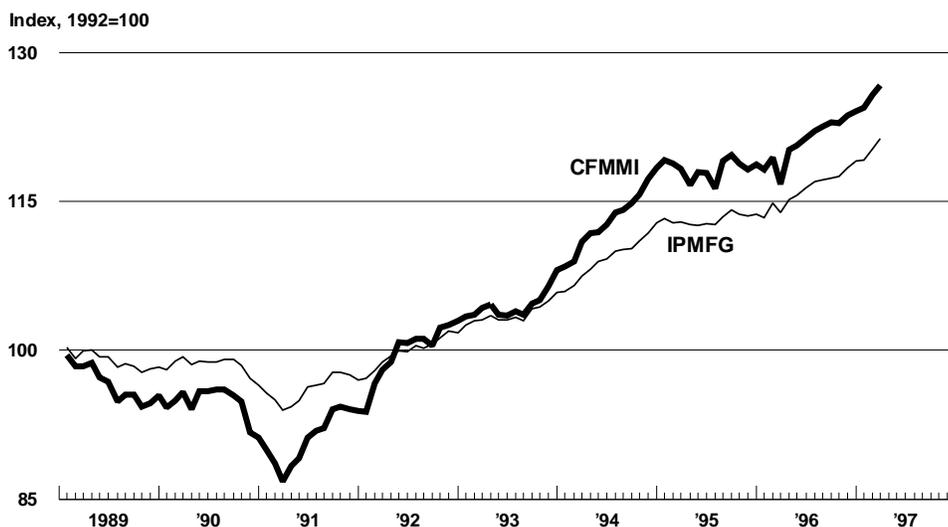
The Chicago Fed Midwest Manufacturing Index (CFMMI) rose to a record level in March increasing 0.7 percent from February. By comparison, the Federal Reserve Board's industrial production index for manufacturing increased by a somewhat faster 0.9 percent over the same period. Both the regional steel and resource sectors grew at faster rates than the nation, while the auto and machinery sectors lagged the national performance. For the second consecutive month, all sectors in the CFMMI posted monthly gains, with every sector at least 5.0 percent above year ago levels. The last time all four sectors posted positive growth two months in a row was five years ago.

In March, the region's steel sector increased 1.8 percent from a month ago, growing twice as fast as any other industrial sector. This is the second month in a row that the steel sector demonstrated the strongest performance of any of the manufacturing sectors. A good deal of this strength can be attributed to the auto industry's demand for steel. Light vehicle sales for the nation over the first three months of 1997 averaged 15.4 million units. This represents the strongest consecutive three month period of light vehicles sales during the current expansion that began in April, 1991.

While the auto sector grew in March by 0.4 percent from February, it increased by 20.7 percent from a year ago. This extremely strong growth was a result of the 9.3 percent drop in the CFMMI auto sector a year ago induced by the GM strike in March, 1996. The under-performance in the regional auto sector in March, compared with the nation, can be partially explained by the Midwest's larger proportion of car production compared with light truck production. Nationally, light truck sales in March were 9.8 percent above a year ago, while car sales were 3.4 percent lower over the same time period.

Finally, while the Midwest's machinery sector continued to grow at slower rates than the nation, the resource sector continued to outperform the nation.

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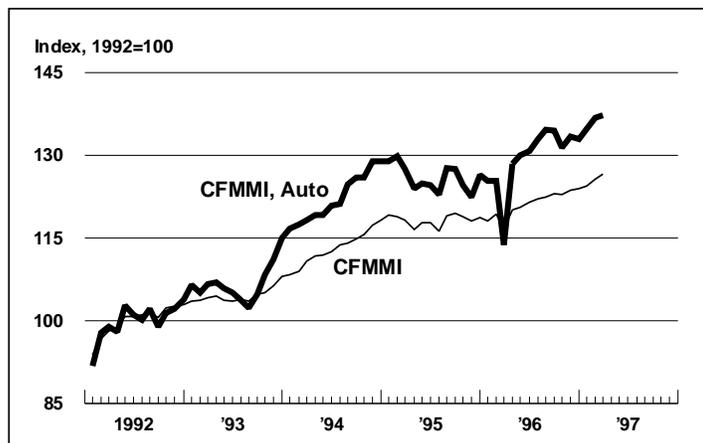


**Manufacturing output indexes – March 1997**

	percent change from		
	1 month ago	3 months ago	1 year ago
Chicago Fed Midwest Manufacturing Index (CFMMI)	0.7	2.1	8.5
US Industrial Production-Manufacturing (IPMFG)	0.9	1.9	6.6

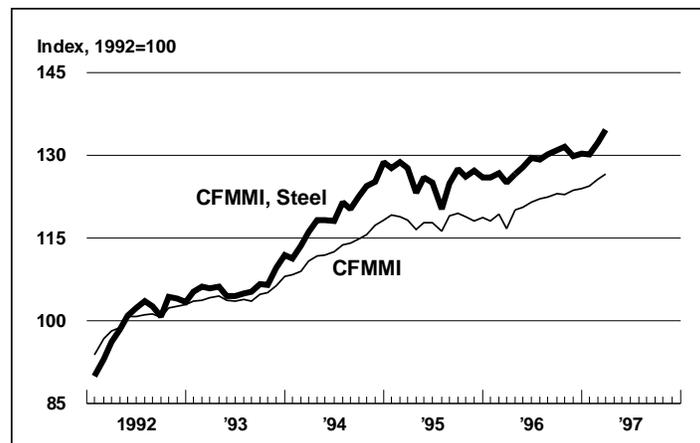
# Tracking Midwest Manufacturing Activity by Sectors — March 1997

## Auto Sector



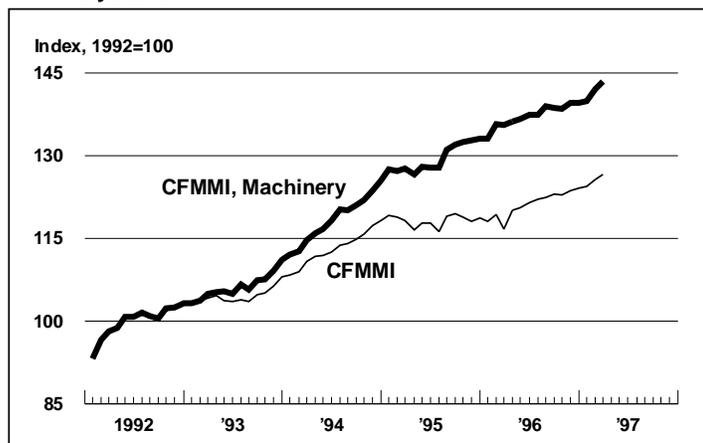
Auto Sector CFMMI Components:  
Rubber and Miscellaneous Plastics Products; Transportation Equipment

## Steel Sector



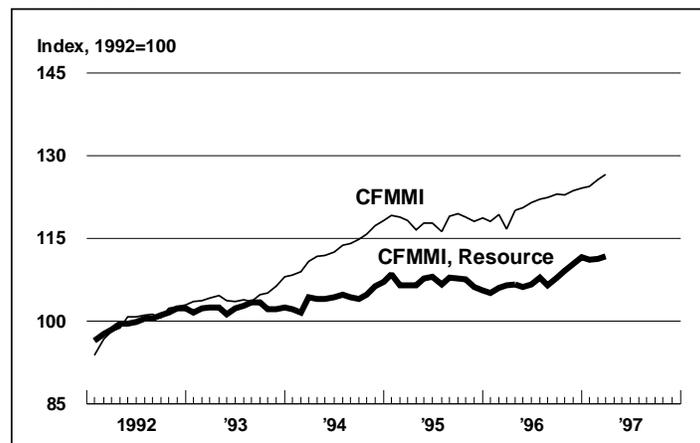
Steel Sector CFMMI Components:  
Primary Metal Industries; Fabricated Metal Products

## 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			
	Jan 97	Feb 97	Mar 97	Monthly			Annual Mar 96-Mar 97
				Jan 97	Feb 97	Mar 97	
<b>CFMMI</b>	124.5	125.8	126.7	0.3	1.0	0.7	8.5
<b>CFMMI - Auto</b>	135.0	136.8	137.4	1.4	1.4	0.4	20.7
<b>CFMMI - Steel</b>	130.3	132.5	134.8	-0.1	1.7	1.8	7.7
<b>CFMMI - Machinery</b>	140.0	142.1	143.4	0.3	1.5	0.9	5.7
<b>CFMMI - Resource</b>	111.2	111.5	111.8	-0.3	0.2	0.3	5.0
<b>IPMFG</b>	119.3	120.4	121.4	0.1	0.9	0.9	6.6

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>**