

Chicago Fed Midwest Manufacturing Index

Midwest Manufacturing Index Hits Record High, Despite Slowing Growth

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The Chicago Fed Midwest Manufacturing Index (CFMMI) reached a record high of 123.8 in September. The index increased 0.1% from August to September, following a 0.9% increase in August. By comparison, the Federal Reserve Board's industrial production index for manufacturing increased by 0.4% in September and 0.8% in August. The steel sector had the strongest performance in the Midwest index, increasing by 1.2% in September following a 1.0% increase in August. The regional resource sector also rose in September by 0.5% after having fallen 0.8% in August. The Midwest's machinery sector recorded an 0.1% fall in September, following a 1.4% increase in August. The regional auto sector's September output fell by 1.0% in the Midwest, having risen by a very strong 3.5% in August.

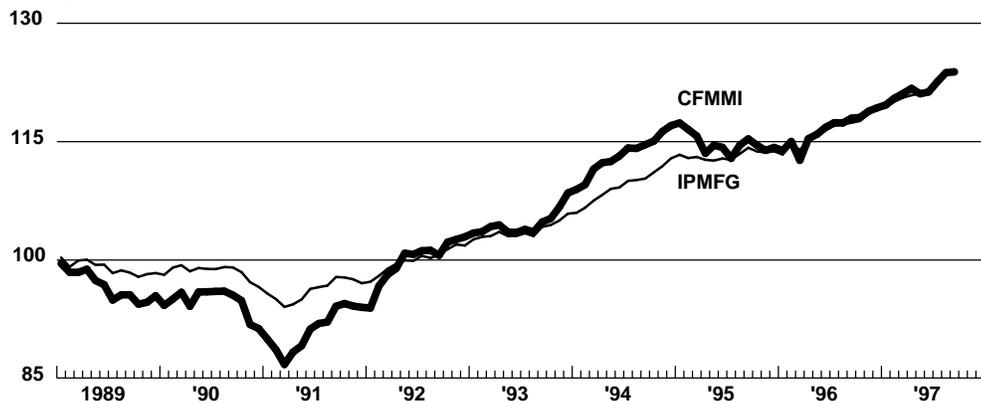
While the Midwest continued to expand in September, every regional sector grew at slower rates than its national counterpart. This is the third month in the past five that growth in the region has lagged the nation. A number of industries in the Midwest are being hampered in their ability to expand production due to the lack of available workers. Since May the Midwest has been operating at unemployment rates below 4%. These tight labor markets make finding qualified workers difficult in the Midwest.

Regional steel production has been expanding at rates that have been above the nation as demand from the auto and machinery sectors remains at high levels. Compared with the prior year, Midwest steel output has been growing faster than the nation since February. The auto sector in the Midwest has experienced slower growth on a year-ago basis since May. The relatively stronger showing for the nation versus the Midwest reflects both the geographic distribution of light-truck production and stronger sales for light-trucks compared with cars. Year-to-date car sales are 3.5% lower than last year, while light-truck sales are 3.5% higher. The Midwest light-truck share of total light vehicle production is 40%; the comparable figure for the rest of nation is 57%. Thus, the nation's greater output concentration on the more popular selling product has spurred the nation's higher growth rate.

Output of the Midwest machinery sector in September was a robust 5.7% higher than a year ago, although lower than the 8.4% rate reported nationally. Most of the growth in this sector was concentrated in the Electronic and other Electrical Equipment and Components category. The region's resource sector increase in September was due in large part to a rebound in the paper industry's output.

Chicago Fed Midwest Manufacturing Index

Index, 1992=100



**The next CFMMI will be released:
Thursday, December 11, 1997
Noon Eastern Time
11:00 am Central Time**

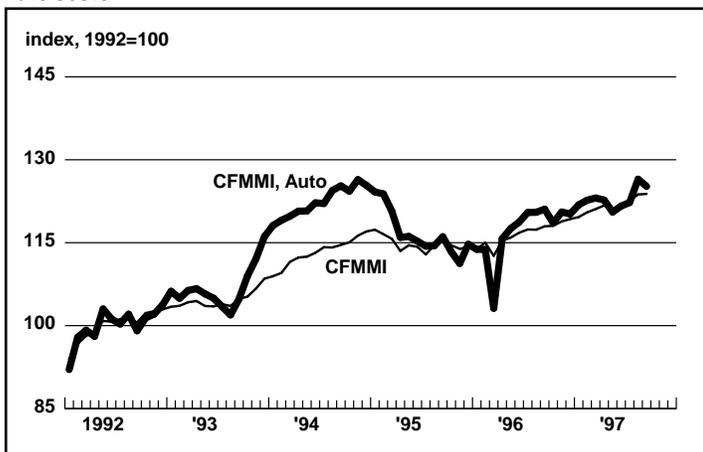
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Manufacturing output indexes – September 1997

	percent change from		
	1 month ago	3 months ago	1 year ago
Chicago Fed Midwest Manufacturing Index (CFMMI)	0.1	2.1	5.0
US Industrial Production-Manufacturing (IPMFG)	0.4	2.1	5.8

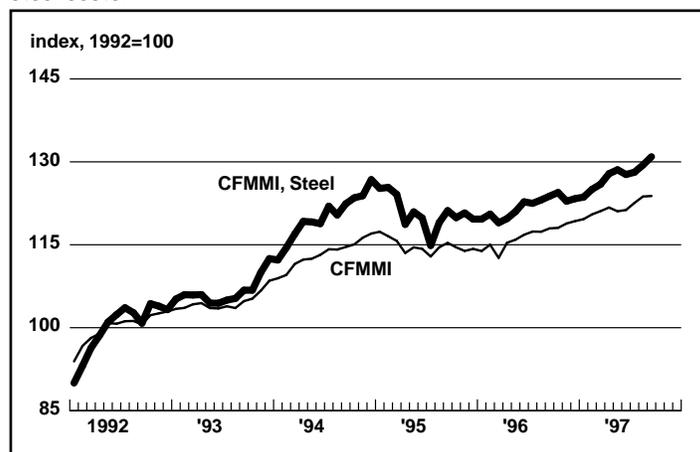
Tracking Midwest Manufacturing Activity by Sectors — September 1997

Auto Sector



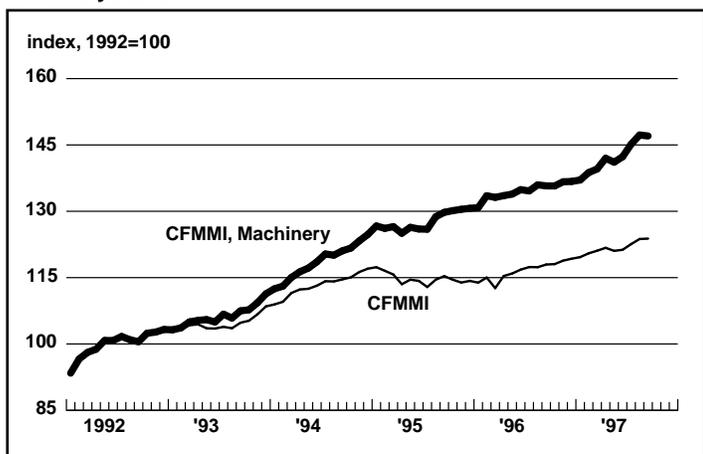
Auto Sector CFMMI Components:
Rubber and Miscellaneous Plastics Products; Transportation Equipment

Steel Sector



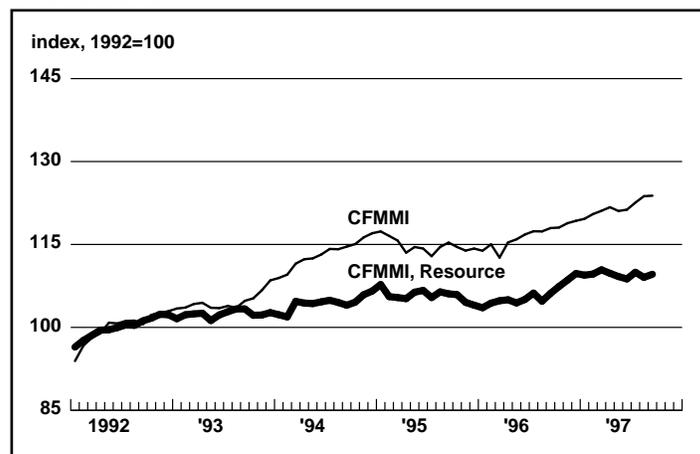
Steel Sector CFMMI Components:
Primary Metal Industries; Fabricated Metal Products

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			
	Jul 97	Aug 97	Sep 97	Monthly			Annual Sep 96–Sep 97
				Jul 97	Aug 97	Sep 97	
CFMMI	122.6	123.7	123.8	1.1	0.9	0.1	5.0
CFMMI - Auto	122.3	126.5	125.2	0.5	3.5	-1.0	3.4
CFMMI - Steel	128.1	129.4	130.9	0.3	1.0	1.2	5.8
CFMMI - Machinery	145.1	147.2	147.0	2.0	1.4	-0.1	8.3
CFMMI - Resource	110.0	109.0	109.6	1.1	-0.8	0.5	3.3
IPMFG	122.7	123.6	124.2	0.9	0.8	0.4	5.8

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>