

## News Release

Embargoed for release:  
10:00 am Eastern Time  
9:00 am Central Time  
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The monthly CFNAI index, a weighted average of 85 indicators of national economic activity, is constructed to have an average value of zero and a standard deviation of one. A zero value for the index indicates that the national economy is expanding at its historical trend rate of growth; negative values are associated with below-trend growth while positive values indicate above-trend growth. Month-to-month movements in the CFNAI can be volatile, so a three-month moving average version, the CFNAI-MA3, provides a more consistent picture of national economic growth. The 85 economic indicators that comprise the CFNAI are drawn from five broad categories of data: (1) production and income; (2) employment, unemployment, and hours; (3) personal consumption and housing; (4) manufacturing and trade sales; and (5) inventories and orders.

**The next CFNAI will be released:**  
**May 2, 2001**  
10:00 am Eastern Time  
9:00 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

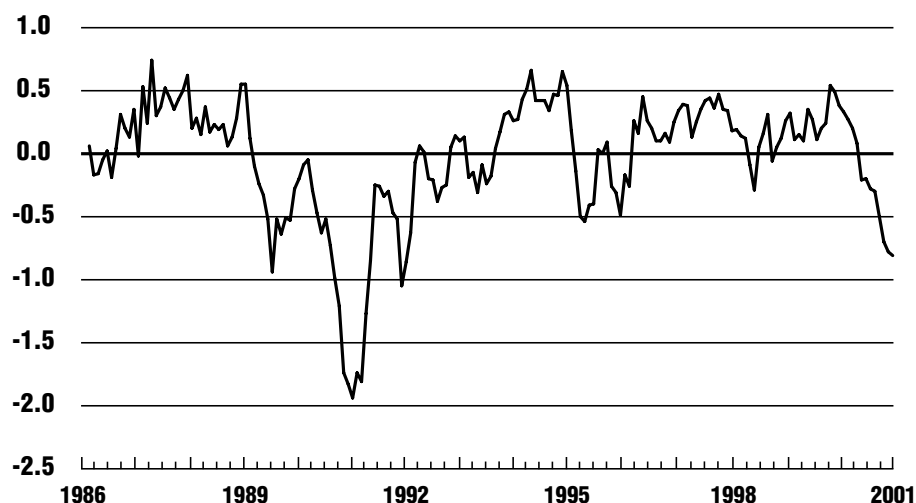
# Chicago Fed National Activity Index

## CFNAI Shows U.S. Economy Remained Weak in February

The Federal Reserve Bank of Chicago reported that the Chicago Fed National Activity Index (CFNAI) declined slightly to  $-0.89$  in February from a downward revised  $-0.87$  in January. The January revision, from  $-0.55$  reported last month, largely reflected revisions to data for industrial production, capacity utilization, new orders, and payroll employment. To date, the weakness in the CFNAI has been concentrated in data related to the manufacturing sector of the economy. The three-month moving average index, CFNAI-MA3, was  $-0.81$  in February, down slightly from a revised  $-0.78$  in January. February was the eighth consecutive month that the CFNAI-MA3 was below zero, an indication of below-trend growth in the national economy and a sign of easing pressures on future inflation. The CFNAI-MA3 has been at or below  $-0.70$  since December. Since 1967, index values within the  $-0.70$  and  $-1.00$  range have indicated an increasing probability that the economy is in a recession. While the likelihood of recession appears to have increased slightly, the February CFNAI-MA3 reading of  $-0.81$  remains well above the  $-1.50$  level seen in all recessions since 1967.

Economic data released for February indicate continued weakness in the manufacturing sector but relative strength in most other sectors. In terms of the 85 individual indicators included in the CFNAI, 27 series are related directly to current manufacturing production. These 27 series receive 44 percent of the weights in the CFNAI and accounted for  $-0.63$  of the February value of  $-0.89$ . An additional 14 data series include current manufacturing components, and with 14 percent of the weights in the CFNAI, accounted for an additional  $-0.04$  of February's value.

### Chicago Fed National Activity Index, Three-Month Moving Average (CFNAI-MA3)



### CFNAI and CFNAI-MA3 for the latest six months and year-ago month

	Feb '01	Jan '01	Dec '00	Nov '00	Oct '00	Sep '00	Feb '00
<b>CFNAI</b>							
Current	-0.89	-0.87	-0.68	-0.78	-0.65	-0.06	+0.04
Previous	N/A	-0.55	-0.79	-0.80	-0.65	-0.06	+0.04
<b>CFNAI-MA3</b>							
Current	-0.81	-0.78	-0.70	-0.50	-0.30	-0.28	+0.38
Previous	N/A	-0.71	-0.75	-0.50	-0.30	-0.28	+0.37

Current and Previous values reflect index values as of the April 3, 2001 release and March 5, 2001 release respectively

Overall, of the 85 individual indicators, 47 series showed improvement relative to January, although 55 series displayed below-average growth. As of March 30, February data for 64 of 85 indicators had been published; estimates for the remaining 21 series were used in constructing the February index.

The negative February reading should be interpreted as continuing evidence of national economic growth below trend. The February index does not currently point to an economy in recession. Over the sample period that the CFNAI is constructed (1967-2001), there were five economic recessions. In each of these recessions, the CFNAI-MA3 fell below -1.50. The February CFNAI-MA3 reading of -0.81 continues to be above those previous recessionary levels. Historical experience indicates an increasing probability of a recession as the CFNAI-MA3 falls deeper into and below the range of -0.70 and -1.00. The February index levels continue to indicate that the U.S. economy most likely is not currently in recession.

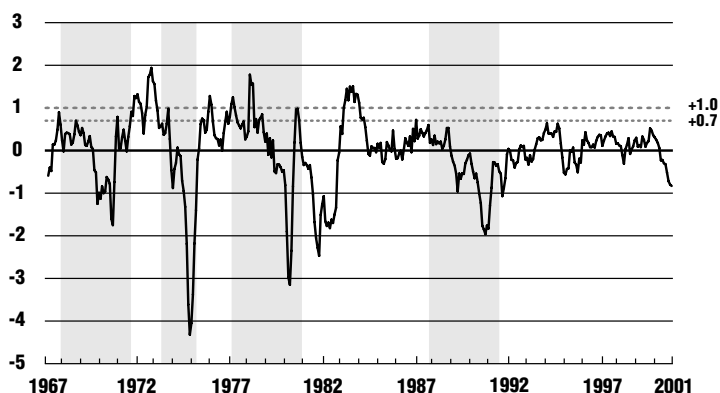
Revisions to the CFNAI can be attributed to two main factors: revisions to previously published data, and differences between estimates of previously unavailable data and subsequently published data.

Two-thirds of January's downward revision was accounted for by revisions to previously published data, primarily to industrial production and employment data. The remaining one-third of the January revision resulted from differences between estimates made for 21 then unavailable data series and values that have since been published. December's CFNAI was revised up from -0.79 to -0.68, primarily reflecting upward revision to December's industrial production data.

### Interpreting the CFNAI-MA3

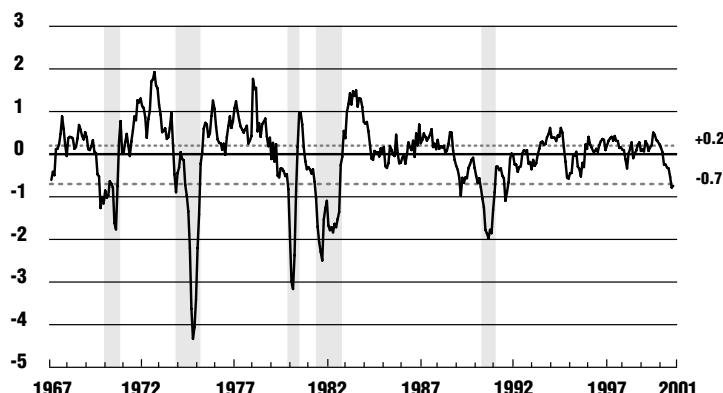
If CFNAI-MA3 < -0.70 following a period of economic expansion...	Increasing likelihood that a recession has begun.
If CFNAI-MA3 > +0.20 following a period of economic contraction...	Significant likelihood that a recession has ended.
If CFNAI-MA3 > +0.70 more than two years into an economic expansion...	Increasing likelihood that a period of sustained accelerating inflation has begun.
If CFNAI-MA3 > +1.00 more than two years into an economic expansion...	Substantial likelihood that a period of sustained accelerating inflation has begun.

### CFNAI-MA3 and Inflation Cycles



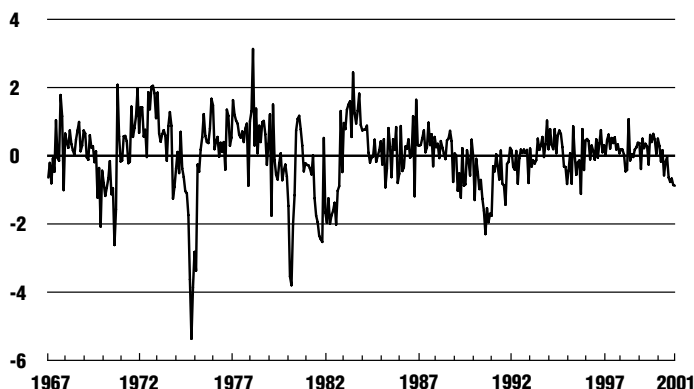
(Shading represents periods of substantial inflation increases)

### CFNAI-MA3 and Business Cycles



(Shading indicates official NBER periods of recession)

### CFNAI, Monthly Index



### 2001 CFNAI Release Dates

Date of Release	Monthly Data for:
May 2, 2001	March 2001
May 31, 2001	April 2001
July 5, 2001	May 2001
August 2, 2001	June 2001
September 4, 2001	July 2001
October 3, 2001	August 2001
November 5, 2001	September 2001
December 5, 2001	October 2001

CFNAI historical data and background information are available on the Federal Reserve Bank of Chicago's Website at <http://www.chicagofed.org>