

News Release

Embargoed for release:
10:00 am Eastern 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 30, 2002
10:00 am Eastern Time
9:00 am Central Time

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OF CHICAGO

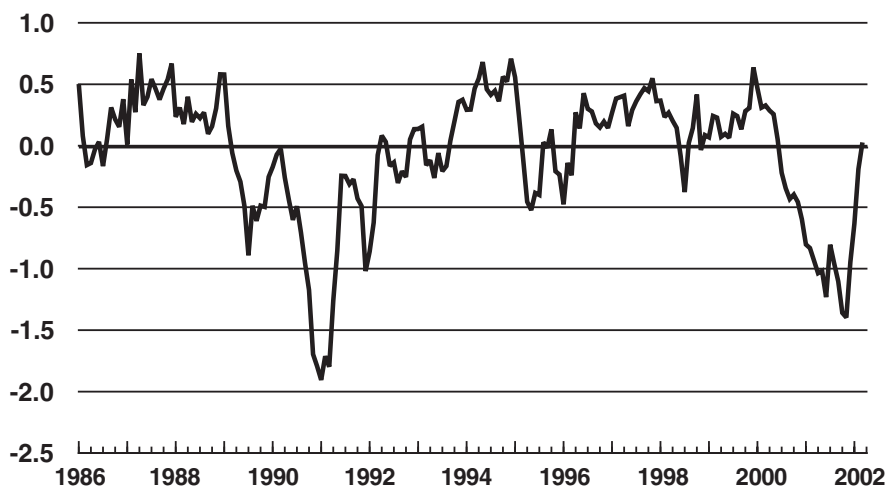
Chicago Fed National Activity Index

CFNAI positive for second consecutive month

In March, the Chicago Fed National Activity Index (CFNAI) was above zero for the second consecutive month. The monthly index came in at +0.06, down slightly from its upward revised value of +0.08 in February. Before February, the index had been below zero for 19 consecutive months. The positive February and March index values more than offset the slight negative reading for January. As a result, the three-month moving average index, CFNAI-MA3, moved into positive territory, rising to +0.03 in March from February's upward revised value of -0.19. This was the fourth consecutive improvement in the CFNAI-MA3 and followed 20 consecutive months below zero. The steady improvement of the CFNAI-MA3 to a small positive value is a strong indication from the index that the national economy has returned to trend growth. Index values above zero, if sustained, signal increased inflationary pressures over the coming year.

The manufacturing sector continued expanding in March. Manufacturing industrial production increased 0.8 percent; and the Institute for Supply Management's Purchasing Managers' Index rose again, to 55.6. Both of these data series were above their historical averages. Total nonfarm payroll employment also rose in March, but the gain of 58,000 jobs was smaller than the historical average. In addition, the March unemployment rate increased to 5.7 percent. As a result, the employment-related indicators (see sidebar, category 2) continued to contribute negatively to the index, although to a lesser extent than in some previous months. In other notable March data released, housing starts fell by 7.8 percent and retail sales increased 0.2 percent. Four of the five broad categories of data (see sidebar) in the

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



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

	Mar '02	Feb '02	Jan '02	Dec '01	Nov '01	Oct '01	Mar '01
CFNAI							
Current	+0.06	+0.08	-0.06	-0.59	-1.25	-1.00	-0.87
Previous	N/A	+0.04	-0.33	-0.54	-1.25	-1.02	-0.87
CFNAI-MA3							
Current	+0.03	-0.19	-0.63	-0.95	-1.40	-1.36	-0.93
Previous	N/A	-0.28	-0.71	-0.94	-1.40	-1.36	-0.93

Current and Previous values reflect index values as of the April 25, 2002, release and March 27, 2002, release, respectively. N/A indicates not applicable.

CFNAI contributed positively to the index. The largest positive contribution came from the production and income category. The negative contribution of the employment-related indicators largely offset this; and the other three categories were near zero.

Overall, 44 of the 85 individual indicators displayed above-average growth in March; but while 54 series improved relative to February, 23 of these still indicated below-average growth. The CFNAI is constructed using data available as of April 23. At that time, March data for 52 of 85 indicators had been published. For all missing data series, estimates were used in constructing the index.

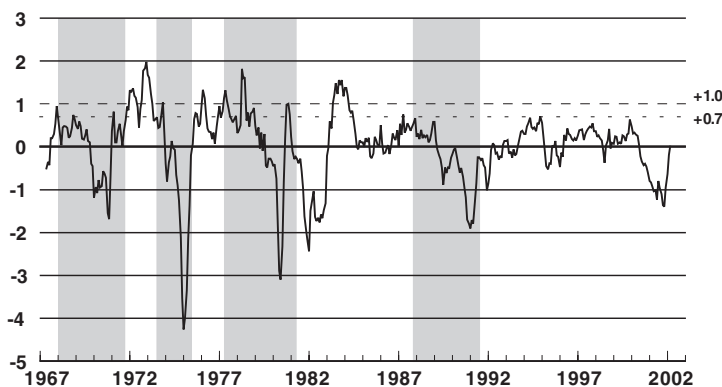
With the CFNAI-MA3 at +0.03 in March and improving over the last four months, the U.S. economy appears to be moving toward recovery. However, it remains unclear whether the economy has emerged from the recession. With the exception of the 1990–91 episode, following each of the previous recessions during the CFNAI-MA3 sample period (1967–2002), the CFNAI-MA3 moved above +0.20 within a few months of the officially determined National Bureau of Economic Research recession trough.

Revisions to the index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The upward revision to the February CFNAI was mostly due to the latter reason—differences between estimates and subsequently published data.

Interpreting the CFNAI-MA3

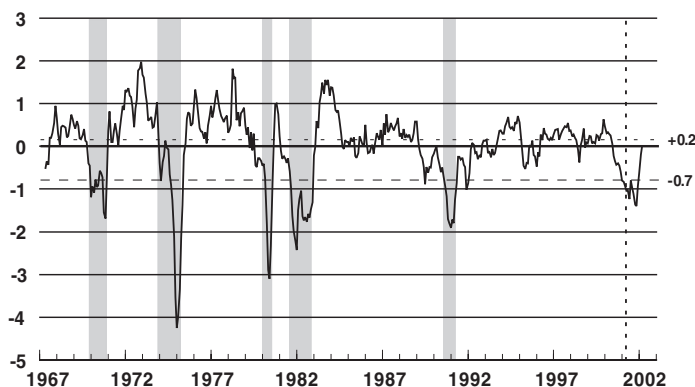
If CFNAI-MA3 < -0.70 following a period of economic expansion...	Increasing likelihood that a recession has begun.
If CFNAI-MA3 > +0.20 following a period of economic contraction...	Significant likelihood that a recession has ended.
If CFNAI-MA3 > +0.70 more than two years into an economic expansion...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



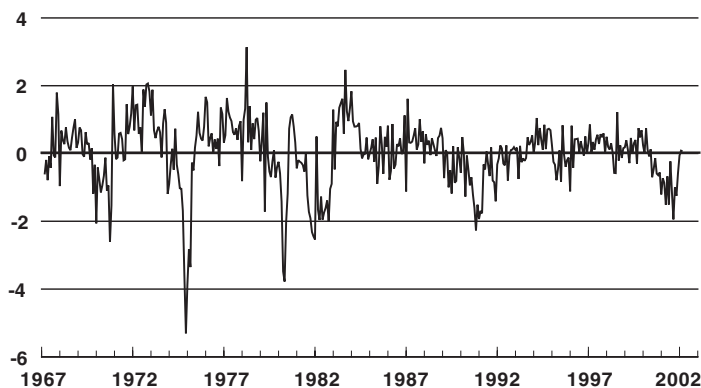
(Shading represents periods of substantial inflation increases.)

CFNAI-MA3 and Business Cycles



(Shading indicates official NBER periods of recession; dashed vertical line indicates the most recent business cycle peak.)

CFNAI, Monthly Index



2002 CFNAI Release Dates

Date of Release	Monthly Data for:
May 30, 2002	April 2002
July 1, 2002	May 2002
July 25, 2002	June 2002
August 29, 2002	July 2002
September 30, 2002	August 2002
October 30, 2002	September 2002
November 21, 2002	October 2002
December 19, 2002	November 2002

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