

## 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:  
August 28, 2003  
10:00 am Eastern Time  
9:00 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

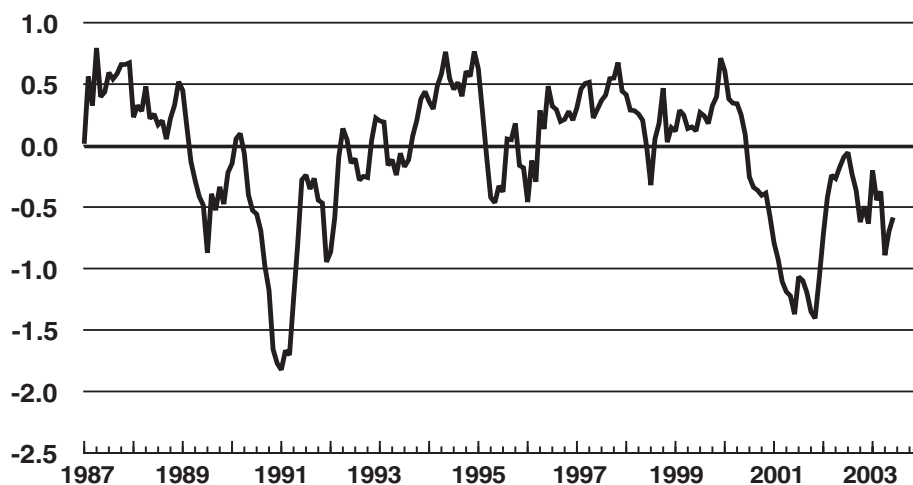
# Chicago Fed National Activity Index

## CFNAI indicates economic activity improved slightly in June

The Chicago Fed National Activity Index (CFNAI) was  $-0.32$  in June, a small improvement from the May reading of  $-0.40$ . The negative value for the index in June reflected continued weakness in employment-related data; the contributions of other components to the CFNAI netted to slightly above zero. The three-month moving average index, CFNAI-MA3, also improved a bit, from  $-0.70$  in May to  $-0.58$  in June. CFNAI-MA3 values below zero are associated with below-trend economic growth; accordingly, the CFNAI-MA3 value of  $-0.58$  suggests that growth in national economic activity was well below its historical trend in June. However, the three-month period covered by the June CFNAI-MA3 includes April, when the CFNAI recorded its most negative monthly reading ( $-1.04$ ) associated with the economy's reaction to the conflict in Iraq. With regard to inflation, CFNAI-MA3 values below zero signal reduced inflationary pressures over the coming year.

Among the five broad subcategories comprising the index (see sidebar), employment-related data accounted for  $-0.35$  of the  $-0.32$  value of the overall index in June. In May, the employment-related-data contribution had been  $-0.30$ . Private payrolls fell 31,000 in June, essentially the same as in the prior month. However, manufacturing employment dropped 56,000—somewhat more than in May—and the unemployment rate rose 0.3 percentage point in June to 6.4 percent. At  $-0.01$ , the contribution of the output-related components was slightly better than the  $-0.09$  recorded in May. Within this category in June, total industrial production (IP) edged up 0.1 percent for the second consecutive month, while

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



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

	Jun '03	May '03	Apr '03	Mar '03	Feb '03	Jan '03	Jun '02
<b>CFNAI</b>							
Current	-0.32	-0.40	-1.04	-0.66	-0.98	+0.52	-0.05
Previous	N/A	-0.39	-1.04	-0.63	-1.00	+0.49	-0.04
<b>CFNAI-MA3</b>							
Current	-0.58	-0.70	-0.89	-0.37	-0.44	-0.20	-0.09
Previous	N/A	-0.69	-0.89	-0.38	-0.45	-0.20	-0.08

Current and Previous values reflect index values as of the July 30, 2003, release and June 26, 2003, release, respectively. N/A indicates not applicable.

manufacturing IP rose 0.4 percent after a 0.1 percent increase in May. At 49.8, the Institute for Supply Management's Purchasing Managers' Composite Index (PMI) indicated little change in overall manufacturing activity in June, although the PMI's new orders and production components pointed to some pickup. The contributions of each of the other three categories in the CFNAI—personal consumption and housing, manufacturing and trade sales, and inventories and orders—were all small and netted to +0.04 for the monthly index. These three categories had made a net contribution of -0.01 to the monthly index in May.

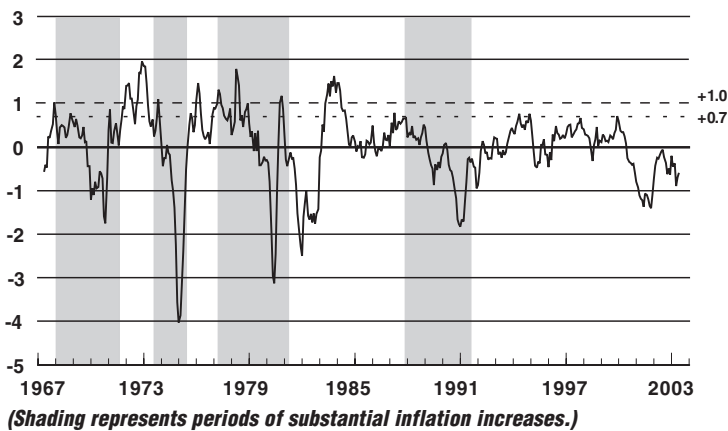
Overall, 49 of the 85 individual indicators displayed below-average growth in June; still, this represents an improvement from May, when 62 of the indicators indicated below-average growth. Overall, 50 individual series improved between May and June, although 23 of these still indicated below-average growth. The June CFNAI is constructed using data available as of July 28. At that time, June data for 52 of 85 indicators had been published. For all missing data series, estimates were used in constructing the index.

At -0.40, the revised estimate of the CFNAI for May was little changed from its initial estimate of -0.39. 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. Both of these were very small in May.

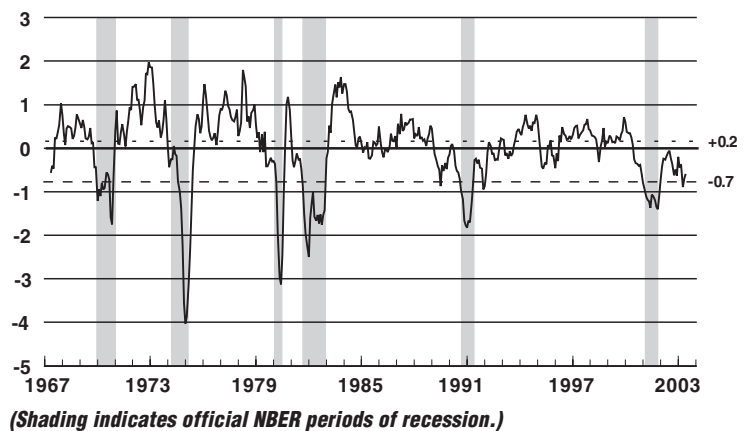
### Interpreting the CFNAI-MA3

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.

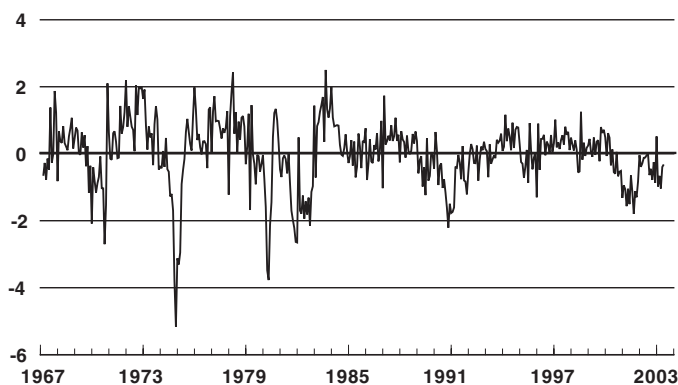
### CFNAI-MA3 and Inflation Cycles



### CFNAI-MA3 and Business Cycles



### CFNAI, Monthly Index



### 2003 CFNAI Release Dates

Date of Release	Monthly Data for:
August 28, 2003	July 2003
September 25, 2003	August 2003
October 30, 2003	September 2003
November 20, 2003	October 2003
December 18, 2003	November 2003

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