

News Release

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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 four broad categories of data: 1) production and income; 2) employment, unemployment, and hours; 3) personal consumption and housing; and 4) sales, orders, and inventories.

The next CFNAI will be released:
April 22, 2004
10:00 am Eastern Time
9:00 am Central Time

FEDERAL RESERVE BANK
OF CHICAGO

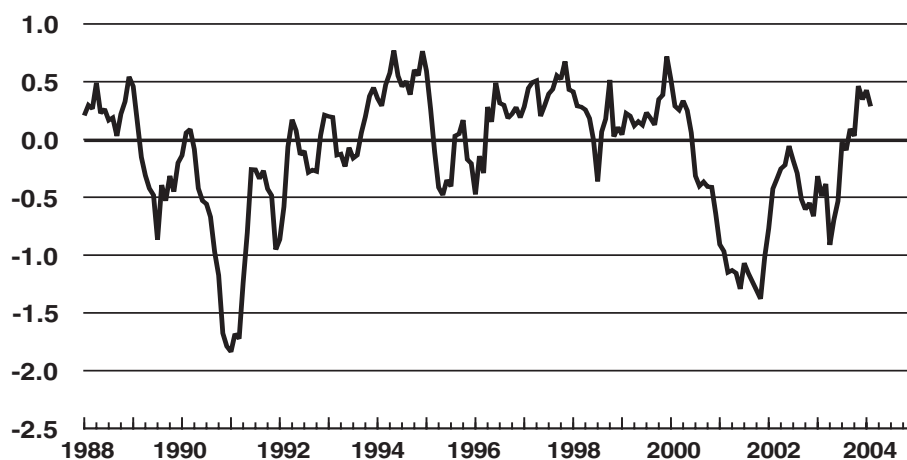
Chicago Fed National Activity Index

CFNAI indicates strong economic growth in February

The Chicago Fed National Activity Index was +0.39 in February, little changed from a downward-revised reading of +0.40 in January. February was the sixth straight month in which the CFNAI was positive. As in January, production-related data accounted for the bulk of February's strength. In contrast, the contribution from employment-related measures turned from a small positive to a small negative. The three-month moving average, CFNAI-MA3, fell to +0.29 in February from +0.43 in the previous month. CFNAI-MA3 readings above zero are associated with above-trend economic growth; accordingly, the CFNAI-MA3 value of +0.29 suggests that growth in national economic activity was above its historical trend in February. With regard to inflation, CFNAI-MA3 values above zero suggest increased inflationary pressures over the coming year.

The production-related category of indicators made the largest positive contribution, +0.38, to February's CFNAI. Industrial production rose a solid 0.7 percent during the month, and manufacturing output jumped 1.0 percent. Moreover, manufacturing capacity utilization increased to 75.2 percent in February from 74.6 percent in January. The Institute for Supply Management's Purchasing Managers' Index (manufacturing) edged down to 61.4 in February from 63.6 a month earlier. However, the index still made a positive contribution to February's CFNAI since its level continued to indicate firm expansion in the manufacturing sector. The consumption and housing category made a +0.08 contribution to February's CFNAI. Housing starts and building permits fell for the second straight month in February, but still made positive contributions because their levels remained above historical norms. The sales,

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 '04	Jan '04	Dec '03	Nov '03	Oct '03	Sep '03	Feb '03
CFNAI							
Current	+0.39	+0.40	+0.07	+0.81	+0.16	+0.42	-0.93
Previous	N/A	+0.49	+0.05	+0.74	+0.16	+0.41	-0.92
CFNAI-MA3							
Current	+0.29	+0.43	+0.35	+0.46	+0.03	+0.09	-0.49
Previous	N/A	+0.42	+0.31	+0.43	+0.03	+0.09	-0.49

Current and Previous values reflect index values as of the March 24, 2004, release and February 25, 2004, release, respectively. N/A indicates not applicable.

inventories, and orders category made a +0.07 contribution to the monthly index.

The employment-related category contributed -0.14 to February's index, following a +0.05 contribution in January. This category has made a positive contribution to the monthly CFNAI only three times over the last 46 months. Total nonfarm payroll employment rose by just 21,000 during February, well below its historical average growth rate. February's increase resulted primarily from gains in government payrolls; private nonfarm employment was unchanged. Manufacturing payrolls contracted again in February, although the decline was the smallest in the string of 43 consecutive monthly declines. The unemployment rate was 5.6 percent in February, unchanged from the previous month.

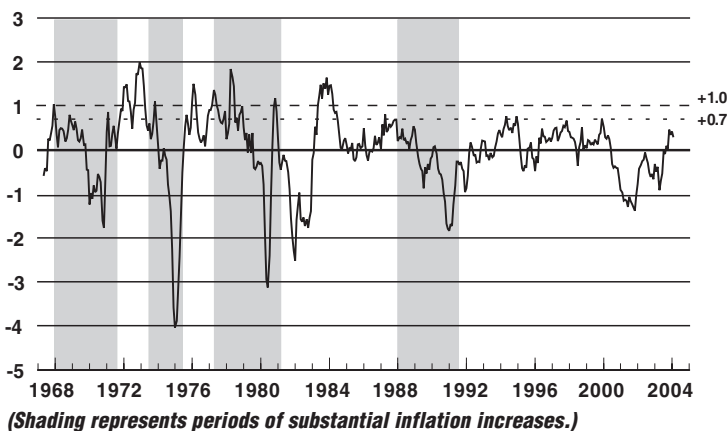
Overall, 54 of the 85 individual indicators made positive contributions to the index in February. Forty-seven of the indicators improved from January to February, though 13 of these made negative contributions to the index. The February CFNAI was constructed using data available as of March 22, 2004. At that time, February data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

The estimate for January's CFNAI was revised down to +0.40 from its initial estimate of +0.49. Revisions to the monthly 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. For January, both factors contributed about equally to the downward revision to the CFNAI.

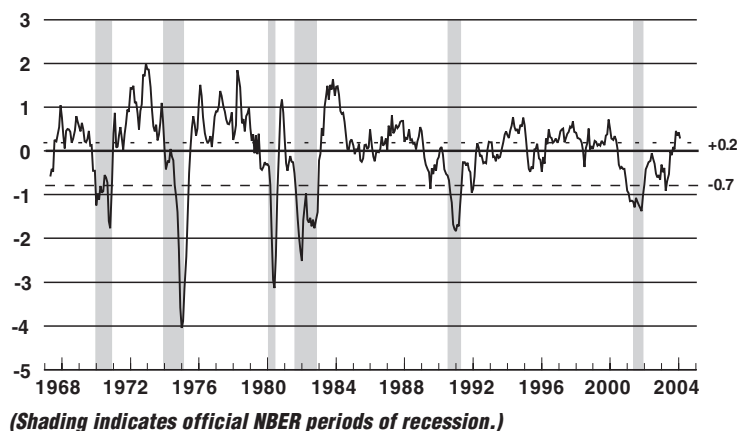
Interpreting the CFNAI-MA3

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.

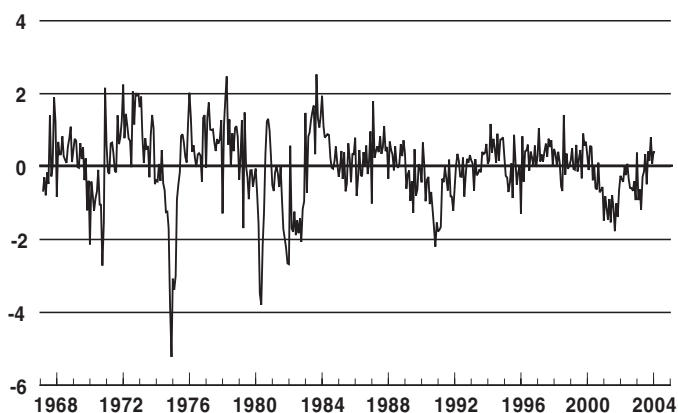
CFNAI-MA3 and Inflation Cycles



CFNAI-MA3 and Business Cycles



CFNAI, Monthly Index



2004 CFNAI Release Dates

Date of Release	Monthly Data for:
April 22, 2004	March 2004
May 20, 2004	April 2004
June 30, 2004	May 2004
July 22, 2004	June 2004
August 19, 2004	July 2004
September 23, 2004	August 2004
October 21, 2004	September 2004
November 23, 2004	October 2004
December 21, 2004	November 2004

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