

## 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 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:  
May 19, 2005  
10:00 am Eastern Time  
9:00 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed National Activity Index

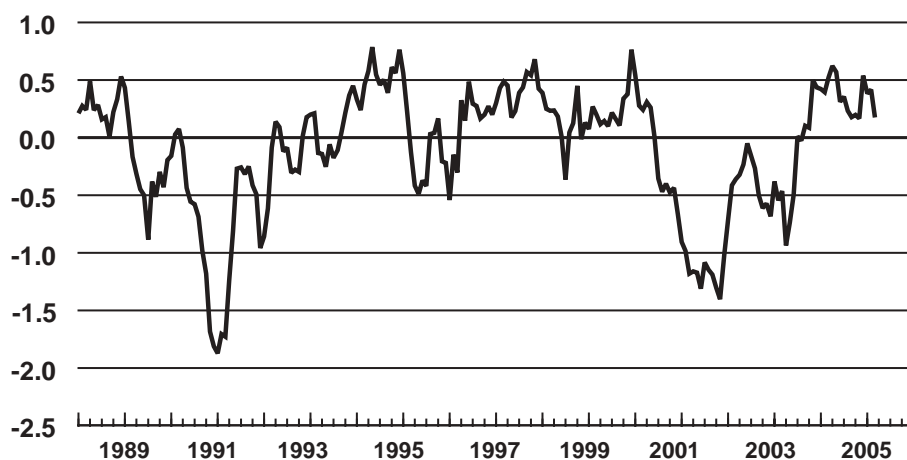
## CFNAI shows above-trend economic growth in March

The Chicago Fed National Activity Index was +0.11 in March, down from +0.22 in February. Three of the four broad categories of indicators that comprise the index made positive contributions in March (see sidebar). The three-month moving average, CFNAI-MA3, was +0.17 in March, down from +0.42 in February. CFNAI-MA3 readings above zero are associated with above-trend economic growth; accordingly, the CFNAI-MA3 value of +0.17 in March suggests that growth in national economic activity was above its historical trend for the nineteenth straight month. With regard to inflation, CFNAI-MA3 values above zero suggest increased inflationary pressures over the coming year.

The decrease in the CFNAI from February to March largely reflected a swing in the contribution of production-related indicators, from 0.03 in February to -0.06 in March. Total industrial production (IP) increased 0.3 percent in March following a 0.2 percent increase in February. However, the positive contribution of total IP was offset by a decline in manufacturing activity: Factory output declined 0.1 percent and manufacturing capacity utilization slipped 0.2 percentage points to 78.0 percent in March.

The consumption and housing-related data category made the largest positive contribution (+0.08) to the CFNAI. Housing starts dropped 17.6 percent in March, the largest decline since January 1991, while residential building permits fell 4.0 percent. However, the level of both indicators remained well above historical norms, and, as a result, they made positive contributions to the CFNAI. The sales, inventories, and orders category also made a positive

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 '05	Feb '05	Jan '05	Dec '04	Nov '04	Oct '04	Mar '04
CFNAI							
Current	+0.11	+0.22	+0.19	+0.83	+0.12	+0.65	+0.67
Previous	N/A	+0.37	+0.13	+0.78	+0.12	+0.66	+0.67
CFNAI-MA3							
Current	+0.17	+0.42	+0.38	+0.54	+0.17	+0.20	+0.52
Previous	N/A	+0.43	+0.34	+0.52	+0.17	+0.20	+0.52

Current and Previous values reflect index values as of the April 21, 2005, release and March 23, 2005, release, respectively. N/A indicates not applicable.

contribution (+0.07) to the CFNAI led by the strength of new orders in the Purchasing Managers Survey for March.

The contribution of the employment-related category of indicators held steady at +0.02. March's nonfarm payroll employment gain of 110,000 was below the historical average resulting in a negative contribution to the CFNAI. However, this was offset by an improvement in the civilian unemployment rate, which edged down from 5.4 percent in February to 5.2 percent in March.

Fifty-four of the 85 individual indicators made positive contributions to the index in March, while 30 made negative contributions. Forty indicators improved from February to March, although six of these made below-average contributions to the index. The CFNAI was constructed using data available as of April 19, 2005. At that time, March data for 49 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

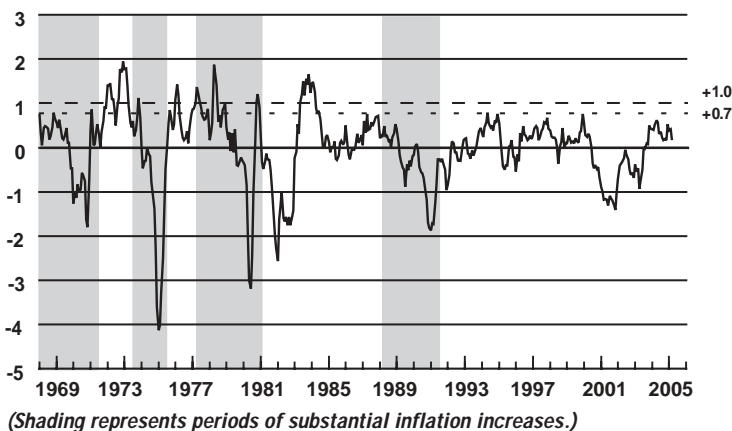
February's CFNAI was revised down from its initial estimate of +0.37 to +0.22. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and

differences between the estimates of previously unavailable data and subsequently published data. The downward revision to February's CFNAI was primarily due to revisions in previously published data.

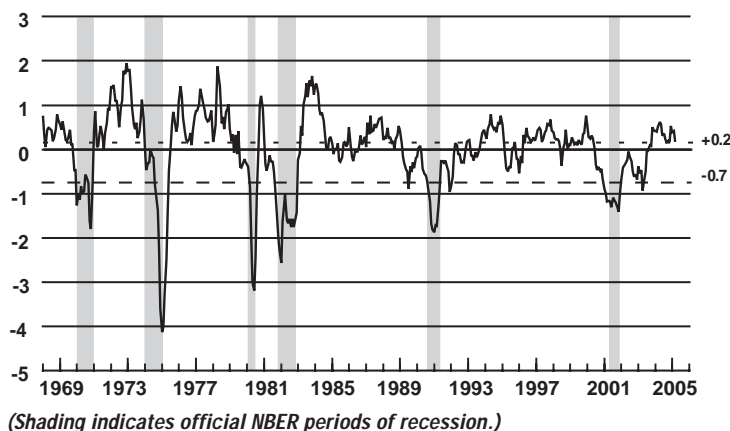
### Interpreting the CFNAI-MA3

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

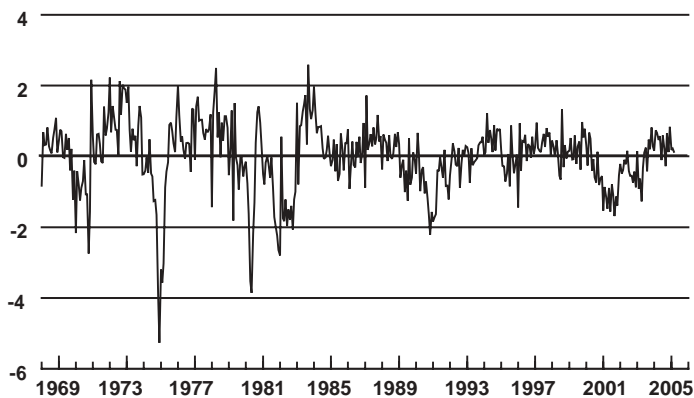
### CFNAI-MA3 and Inflation Cycles



### CFNAI-MA3 and Business Cycles



### CFNAI, Monthly Index



### 2005 CFNAI Release Dates

Date of Release	Monthly Data for:
May 19, 2005	April 2005
June 22, 2005	May 2005
July 21, 2005	June 2005
August 18, 2005	July 2005
September 22, 2005	August 2005
October 26, 2005	September 2005
November 22, 2005	October 2005
December 22, 2005	November 2005

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