

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 21, 2005
10:00 am Eastern Time
9:00 am Central Time

FEDERAL RESERVE BANK
OF CHICAGO

Chicago Fed National Activity Index

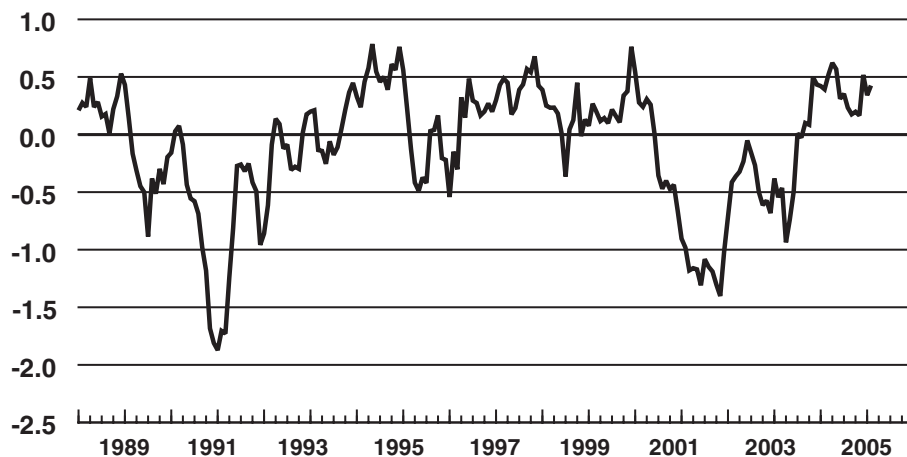
CFNAI shows continued solid economic growth in February

The Chicago Fed National Activity Index was +0.37 in February, up from +0.13 in January. All four broad categories of indicators that make up the index made positive contributions last month. The three-month moving average, CFNAI-MA3, increased to +0.43 in February from +0.34 in January. CFNAI-MA3 readings above zero are associated with above-trend economic growth; accordingly, the CFNAI-MA3 value of +0.43 suggests that growth in national economic activity was above its historical trend for the eighteenth straight month. With regard to inflation, CFNAI-MA3 values above zero suggest increased inflationary pressures over the coming year.

The majority of the increase in the CFNAI was due to a swing in the contribution by production-related indicators, from -0.12 in January to +0.16 in February. Total industrial production increased 0.3 percent in February following a 0.1 percent increase in January. In addition, the manufacturing sector continued to contribute positively to the CFNAI, as factory output rose 0.5 percent for the third consecutive month. Manufacturing capacity utilization also increased in February to 78.5 percent, its highest level since November 2000.

The consumption and housing-related data category made the second largest contribution (+0.15) to the CFNAI. Housing starts edged up 0.5 percent in February to reach a 21-year high. This marked the first time since 1978 that the annual rate for housing starts remained above 2 million for three consecutive months. Despite a decline of 2.7 percent in February, residential building permits also remained well above historical norms. Accordingly, both measures made positive contributions to the February CFNAI. The sales, inventories, and

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 '05	Jan '05	Dec '04	Nov '04	Oct '04	Sep '04	Feb '04
CFNAI							
Current	+0.37	+0.13	+0.78	+0.12	+0.66	-0.28	+0.73
Previous	N/A	+0.21	+0.59	+0.06	+0.65	-0.28	+0.70
CFNAI-MA3							
Current	+0.43	+0.34	+0.52	+0.17	+0.20	+0.18	+0.39
Previous	N/A	+0.29	+0.43	+0.15	+0.20	+0.17	+0.39

Current and Previous values reflect index values as of the March 23, 2005, release and February 24, 2005, release, respectively. N/A indicates not applicable.

orders category also made a positive contribution (+0.03) to the index last month.

The contribution by the employment-related category of indicators declined from +0.16 in January to +0.03 in February. February's nonfarm payroll employment gain of 262,000 was the largest since October 2004 and above the historical average, resulting in a positive contribution to the CFNAI. However, the civilian unemployment rate edged up in February from a three-year low of 5.2 percent to 5.4 percent. In addition, average weekly hours in manufacturing declined 0.5 percent in February, also resulting in a negative contribution to the index.

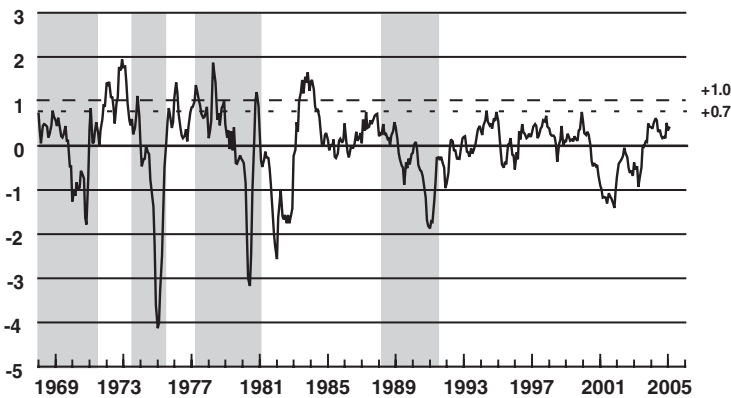
Fifty-four of the 85 individual indicators made positive contributions to the index in February, while 30 made negative contributions. Fifty-four indicators improved from January to February, although ten of these made below-average contributions to the monthly index. The CFNAI was constructed using data available as of March 17, 2005. At that time, February data for 49 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

January's CFNAI was revised down from its initial estimate of +0.21 to +0.13. 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 January's CFNAI was primarily due to differences between the estimates of previously unavailable data and subsequently published data.

Interpreting the CFNAI-MA3

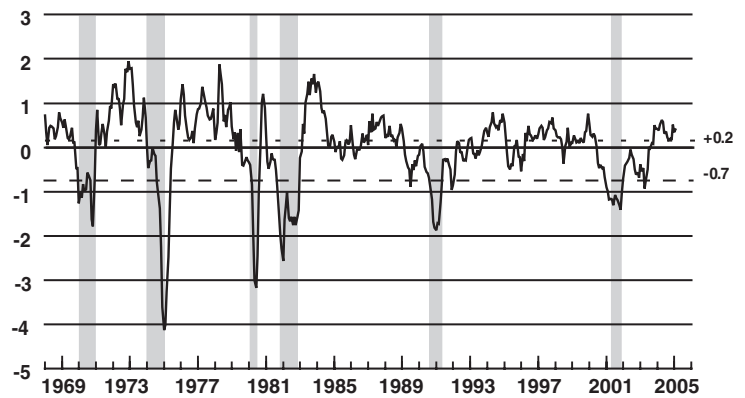
If CFNAI-MA3 > +1.00 more than two years into an economic expansion...	Substantial likelihood that a period of sustained accelerating inflation has begun.
If CFNAI-MA3 > +0.70 more than two years into an economic expansion...	Increasing likelihood that a period of sustained accelerating inflation has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



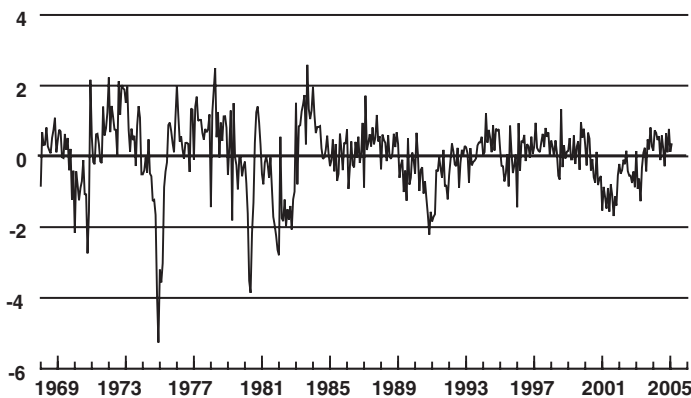
(Shading represents periods of substantial inflation increases.)

CFNAI-MA3 and Business Cycles



(Shading indicates official NBER periods of recession.)

CFNAI, Monthly Index



2005 CFNAI Release Dates

Date of Release	Monthly Data for:
April 21, 2005	March 2005
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>.