

News Release

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Contact:
Debbie Baratz
Media Relations
312-322-2387

Federal Reserve Bank of Chicago
230 South LaSalle Street
Chicago, IL 60604

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 are included in 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 18, 2006
10:00 am Eastern Time
9:00 am Central Time

FEDERAL RESERVE BANK
OF CHICAGO

Chicago Fed National Activity Index

CFNAI shows economic growth above trend in March

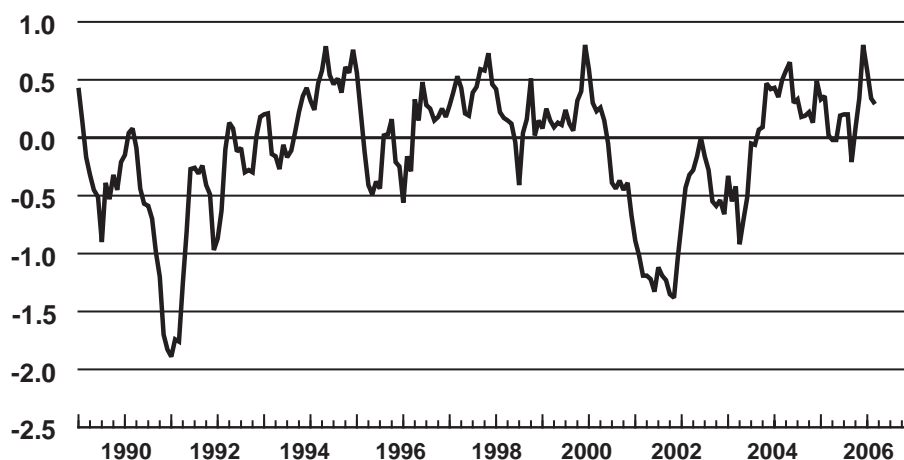
The Chicago Fed National Activity Index was +0.37 in March, up from +0.19 in February. All four broad categories of indicators in the index made positive contributions (see sidebar). The three-month moving average, CFNAI-MA3, was +0.29 in March. A CFNAI-MA3 reading above zero is associated with above-trend economic growth; accordingly, the CFNAI-MA3 value of +0.29 in March suggests that growth in national economic activity was above its historical trend. With regard to inflation, a CFNAI-MA3 value above zero indicates the potential for inflationary pressures over the coming year.

Production-related indicators made a positive contribution of +0.18 to the CFNAI in March after adding +0.04 in February. Total industrial production rose 0.6 percent in March after rising 0.5 percent in the previous month. Manufacturing capacity utilization rose from 81.0 percent to 81.3 percent in March.

Employment-related indicators made a contribution of +0.06 to the CFNAI in March after contributing -0.01 to the index in February. Nonfarm payroll employment increased 211,000 in March, which was little changed from the 225,000 gain in February. The unemployment rate fell from 4.8 percent in February to 4.7 percent in March.

The contribution from the consumption and housing indicators rose slightly from +0.08 in February to +0.09 in March. Housing starts decreased 7.8 percent in March, and residential building permits fell 5.5 percent. However, both measures remained above historical norms

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 '06	Feb '06	Jan '06	Dec '05	Nov '05	Oct '05	Mar '05
CFNAI							
Current	+0.37	+0.19	+0.32	+0.52	+0.89	+0.98	-0.21
Previous	N/A	+0.32	+0.28	+0.48	+0.88	+0.99	-0.21
CFNAI-MA3							
Current	+0.29	+0.34	+0.57	+0.80	+0.34	+0.08	+0.02
Previous	N/A	+0.36	+0.55	+0.79	+0.35	+0.08	+0.02

Current and Previous values reflect index values as of the April 20, 2006, release and March 22, 2006, release, respectively. N/A indicates not applicable.

and, as a result, continued to make positive contributions to the CFNAI. The sales, orders, and inventories category made a contribution of +0.04 to the March CFNAI.

Fifty-nine of the 85 individual indicators made positive contributions to the index in March, while 25 made negative contributions and one was neutral. Forty-two indicators improved from February to March, although ten of these made below-average contributions to the index. The CFNAI was constructed using data available as of April 18, 2006. 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.

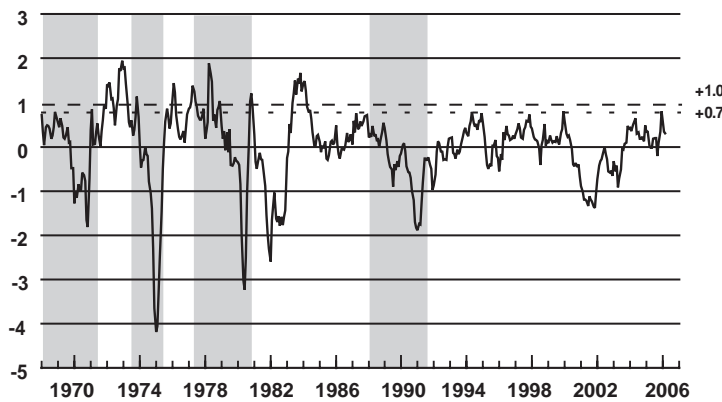
February's CFNAI initial estimate of +0.32 was revised down to +0.19. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data

and subsequently published data. The downward revision to February's CFNAI was primarily due to revisions in previously published data.

Interpreting the CFNAI-MA3

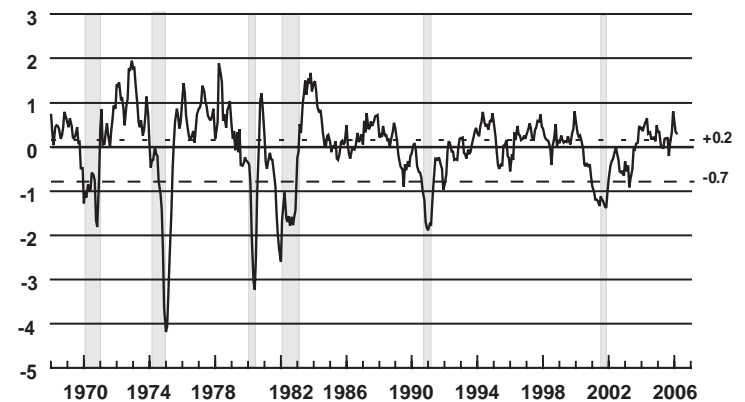
If CFNAI-MA3 > +1.00 more than two years into an economic expansion...	Substantial likelihood that a period of sustained accelerating inflation has begun.
If CFNAI-MA3 > +0.70 more than two years into an economic expansion...	Increasing likelihood that a period of sustained accelerating inflation has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



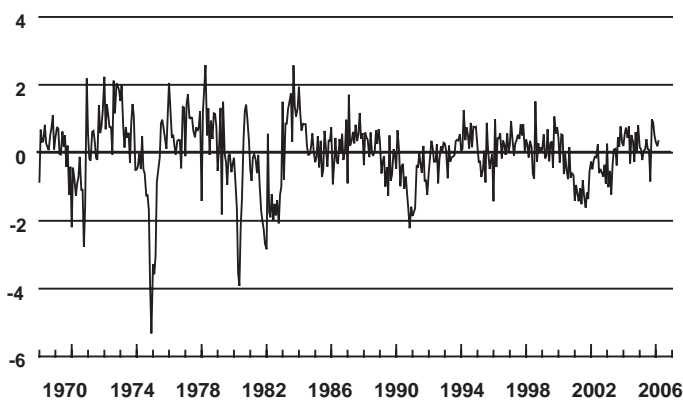
(Shading represents periods of substantial inflation increases.)

CFNAI-MA3 and Business Cycles



(Shading indicates official NBER periods of recession.)

CFNAI, Monthly Index



2006 CFNAI Release Dates

Date of Release	Monthly Data for:
May 18, 2006	April 2006
June 22, 2006	May 2006
July 26, 2006	June 2006
August 23, 2006	July 2006
September 21, 2006	August 2006
October 25, 2006	September 2006
November 21, 2006	October 2006
December 21, 2006	November 2006

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