

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:
March 22, 2006
10:00 am Eastern Time
9:00 am Central Time

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Chicago Fed National Activity Index

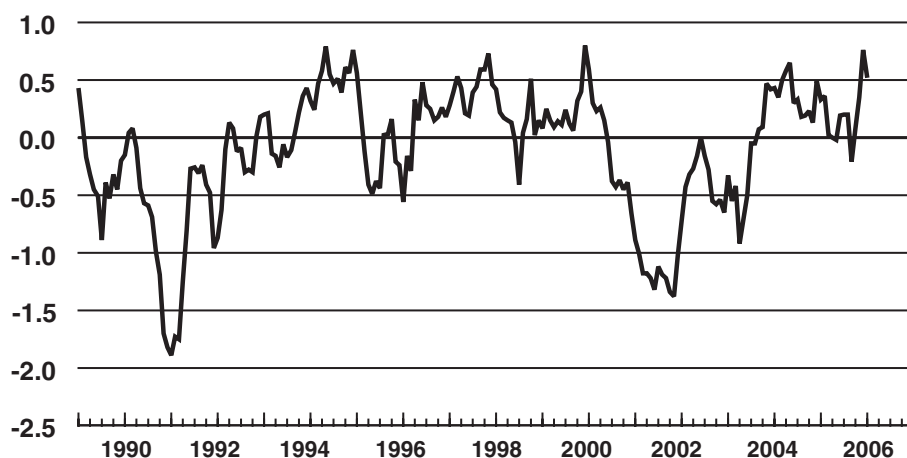
CFNAI shows economic growth above trend in January

The Chicago Fed National Activity Index was +0.27 in January, down from +0.37 in December. Three of the four broad categories of indicators that make up the index made positive contributions, while the remaining category made a small negative contribution (see sidebar). The three-month moving average, CFNAI-MA3, was +0.52 in January. A CFNAI-MA3 reading above zero is associated with above-trend economic growth; accordingly, the CFNAI-MA3 value of +0.52 in January suggests that growth in national economic activity was above its historical trend. However, the high level of the CFNAI-MA3 partly reflects the temporary boost in activity during November as the economy recovered from hurricane-related disruptions. 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 small negative contribution of -0.06 to the CFNAI in January after contributing +0.27 in December. Total industrial production fell 0.2 percent in January based on a large drop in utility output. Manufacturing production increased 0.7 percent, and manufacturing capacity utilization moved up to 80.5 percent in January from 80.1 percent in December.

Employment-related indicators contributed +0.16 to the January CFNAI after contributing -0.02 to the index in December. Nonfarm payroll employment increased 193,000 in January after rising 140,000 in December. The unemployment rate decreased to 4.7 percent in January from 4.9 percent in December.

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



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

	Jan '06	Dec '05	Nov '05	Oct '05	Sep '05	Aug '05	Jan '05
CFNAI							
Current	+0.27	+0.37	+0.91	+0.98	-0.83	+0.09	+0.12
Previous	N/A	+0.08	+0.59	+0.98	-0.79	+0.06	+0.23
CFNAI-MA3							
Current	+0.52	+0.76	+0.35	+0.08	-0.21	+0.20	+0.33
Previous	N/A	+0.55	+0.26	+0.08	-0.20	+0.20	+0.35

Current and Previous values reflect index values as of the February 23, 2006, release and January 25, 2006, release, respectively. N/A indicates not applicable.

The consumption and housing indicators' contribution held steady at +0.14 in January. Housing starts increased 14.5 percent in January after decreasing 6.9 percent in December, and residential building permits rose 6.8 percent after falling 4.1 percent in the previous month. Both measures remain above historical norms and, as a result, continued to make positive contributions to the CFNAI. The sales, orders, and inventories category made a contribution of +0.03 to the CFNAI in January after contributing -0.02 in December.

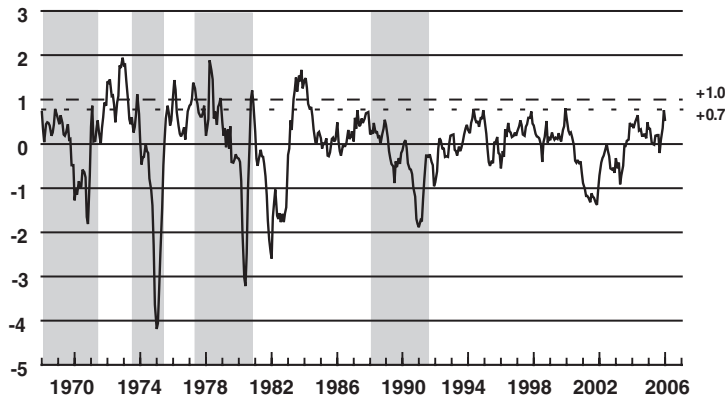
Fifty-one of the 85 individual indicators made positive contributions to the index in January, while 33 made negative contributions and one was neutral. Fifty-one indicators improved in January from December, although twelve of these made below-average contributions to the index. The CFNAI was constructed using data available as of February 21, 2006. At that time, January data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

December's CFNAI initial estimate of +0.08 was revised up to +0.37. 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 upward revision to December's CFNAI was primarily due to revisions in previously published data.

Interpreting the CFNAI-MA3

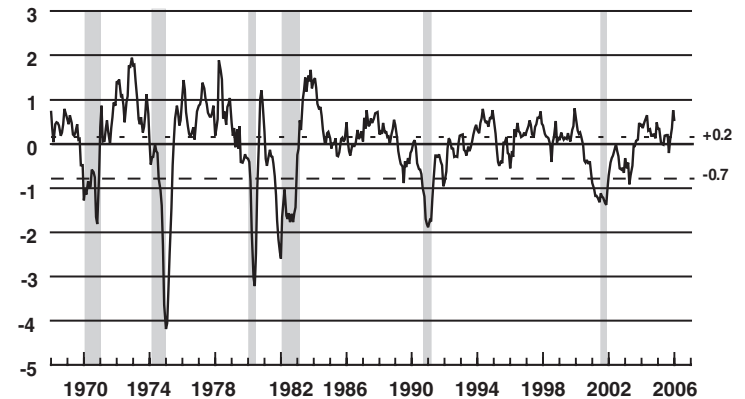
If CFNAI-MA3 > +1.00 more than two years into an economic expansion...	Substantial likelihood that a period of sustained accelerating inflation has begun.
If CFNAI-MA3 > +0.70 more than two years into an economic expansion...	Increasing likelihood that a period of sustained accelerating inflation has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



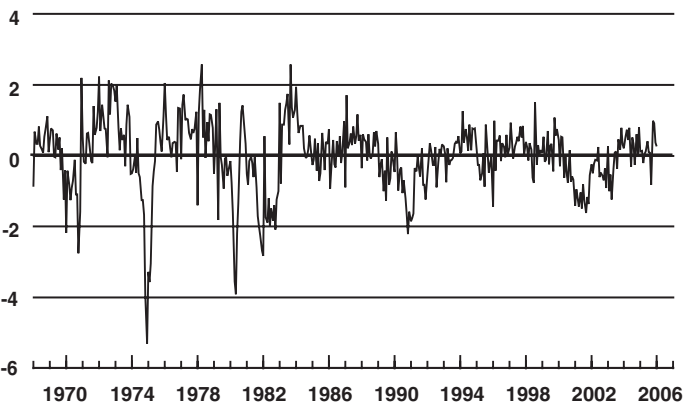
(Shading represents periods of substantial inflation increases.)

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:
March 22, 2006	February 2006
April 20, 2006	March 2006
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>.