

News Release

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10:00 am Eastern 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 five broad categories of data: 1) production and income; 2) employment, unemployment, and hours; 3) personal consumption and housing; 4) manufacturing and trade sales; and 5) inventories and orders.

The next CFNAI will be released:
July 1, 2002
10:00 am Eastern Time
9:00 am Central Time

FEDERAL RESERVE BANK
OF CHICAGO

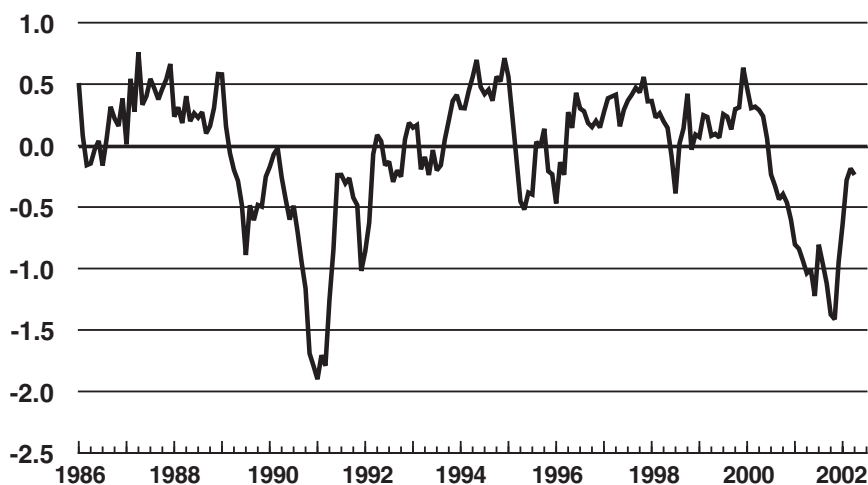
Chicago Fed National Activity Index

April CFNAI points to slow recovery

In April, the Chicago Fed National Activity Index (CFNAI) was in negative territory for the 22nd consecutive month. The index was -0.22 in April, compared with a downward revised value of -0.31 in March. The positive values reported last month for February and March were erased by data revisions and the availability of new source data. The three-month moving average index, CFNAI-MA3, deteriorated slightly in April, falling to -0.24 from March's downward revised value of -0.19 . These negative CFNAI-MA3 values indicate that the national economy is currently growing below trend, and that the economic expansion continued to be slower than typical recoveries from recession. In addition, index values below zero signal reduced inflationary pressures over the coming year.

Among the five broad categories of data (see sidebar), employment-related indicators made the largest negative contribution to the April CFNAI. Total nonfarm payroll employment rose in April, but the gain of 43,000 jobs was smaller than the historical average. In addition, the April unemployment rate increased to 6.0 percent. In total, employment-related data alone accounted for -0.24 of the April CFNAI total value of -0.22 . Each of the other four categories made negligible contributions, which netted to $+0.02$. On balance, the manufacturing sector continued to expand in April, although at a slower pace than in March. Within the production and income category, manufacturing industrial production increased 0.3 percent in April; and the Institute for Supply Management's Purchasing Managers' Index was at 53.9. Both of these data measures were

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



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

	Apr '02	Mar '02	Feb '02	Jan '02	Dec '01	Nov '01	Apr '01
CFNAI							
Current	-0.22	-0.31	-0.19	-0.06	-0.59	-1.26	-1.48
Previous	N/A	+0.06	+0.08	-0.06	-0.59	-1.25	-1.51
CFNAI-MA3							
Current	-0.24	-0.19	-0.28	-0.64	-0.95	-1.41	-1.04
Previous	N/A	+0.03	-0.19	-0.63	-0.95	-1.40	-1.04

Current and Previous values reflect index values as of the May 30, 2002, release and April 25, 2002, release, respectively. N/A indicates not applicable.

above their historical averages, but below their March values. On the income side, real personal income less transfer payments fell in April. Within the consumer spending and housing category, the April housing data were mixed. Housing starts fell 5.4 percent, while housing permits rose by 0.3 percent. Taken as a whole, the negative CFNAI-MA3 of -0.24 captures the current slow recovery from recession and the mixture of positive and negative news contained in the recent monthly data.

Overall, 49 of the 85 individual indicators displayed below-average growth in April; and while 44 series improved relative to March, 22 of these still indicated below-average growth. The CFNAI is constructed using data available as of May 28. At that time, April data for 60 of 85 indicators had been published. For all missing data series, estimates were used in constructing the index.

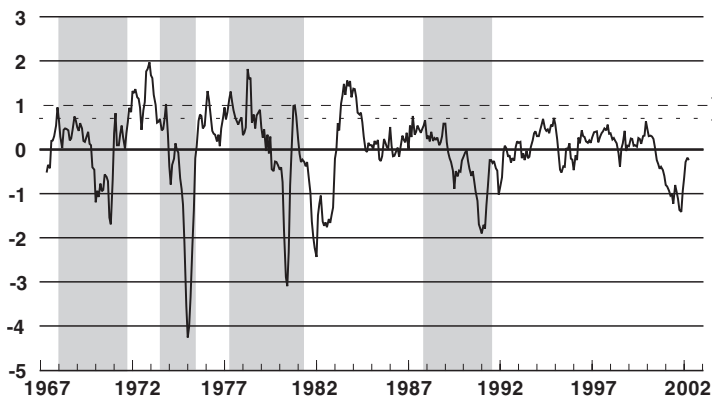
Revisions to the index can be attributed to two main factors: revisions to previously published data and differences between the estimates of previously unavailable data and subsequently published data. The large downward revision to the March CFNAI,

from $+0.06$ to -0.31 , was due in roughly equal parts to both factors. For example, March nonfarm payroll employment was initially reported as increasing by 58,000 jobs but was revised to now show a drop of 21,000 jobs.

Interpreting the CFNAI-MA3

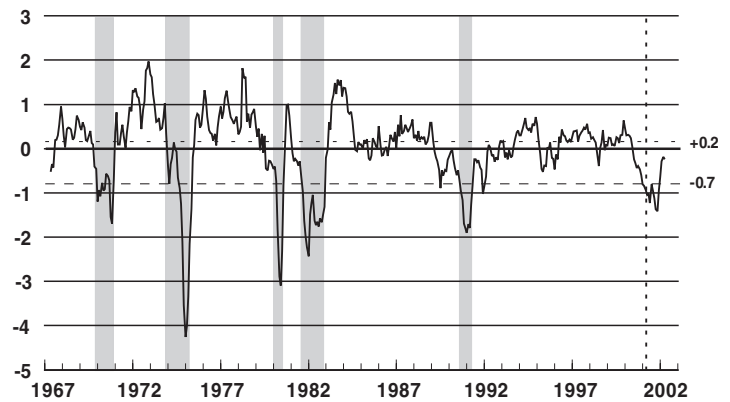
If CFNAI-MA3 < -0.70 following a period of economic expansion...	Increasing likelihood that a recession has begun.
If CFNAI-MA3 $> +0.20$ following a period of economic contraction...	Significant likelihood that a recession has ended.
If CFNAI-MA3 $> +0.70$ more than two years into an economic expansion...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



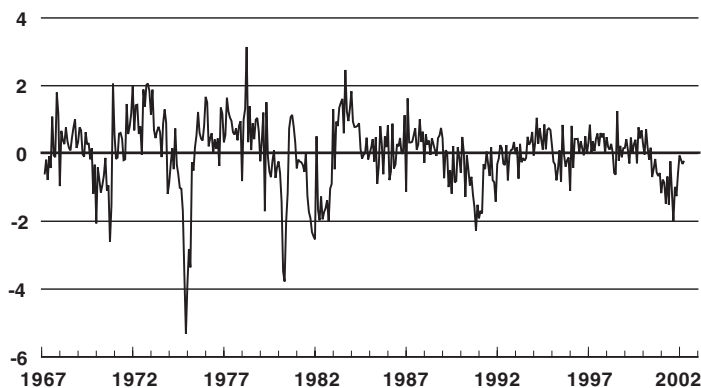
(Shading represents periods of substantial inflation increases.)

CFNAI-MA3 and Business Cycles



(Shading indicates official NBER periods of recession; dashed vertical line indicates the most recent business cycle peak.)

CFNAI, Monthly Index



2002 CFNAI Release Dates

Date of Release	Monthly Data for:
July 1, 2002	May 2002
July 25, 2002	June 2002
August 29, 2002	July 2002
September 30, 2002	August 2002
October 30, 2002	September 2002
November 21, 2002	October 2002
December 19, 2002	November 2002

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