

News Release

Embargoed for release:
10:00 am Eastern Time
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Contact:
James Pieper
Coordinator, 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 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:
April 25, 2002
10:00 am Eastern Time
9:00 am Central Time

FEDERAL RESERVE BANK
OF CHICAGO

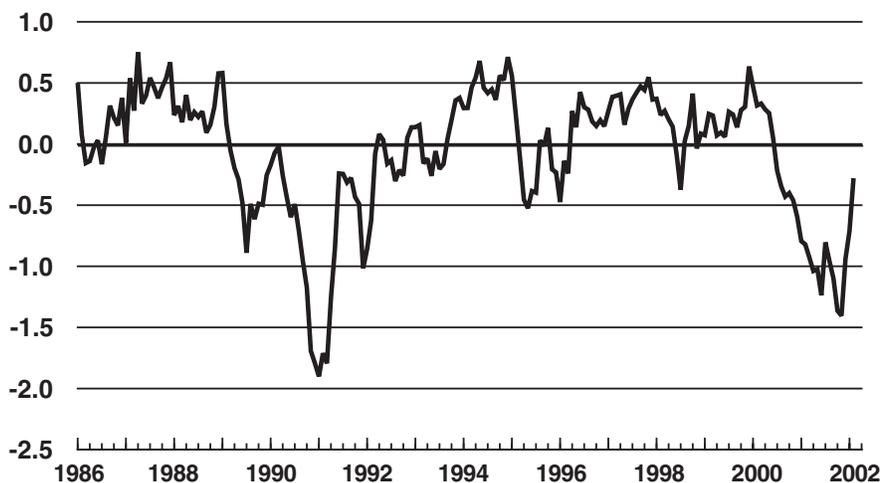
Chicago Fed National Activity Index

CFNAI turns positive for first time since June 2000

In February, the Chicago Fed National Activity Index (CFNAI) moved out of negative territory for the first time since June 2000. The monthly index rose to +0.04 from an upward revised value of -0.33 in January. This increase represents the third consecutive improvement in the monthly index. The three-month moving average index, CFNAI-MA3, also improved in February, rising to -0.28 from January's upward revised value of -0.71. The February CFNAI-MA3 was at its highest level since July 2000. However, February still marked the twentieth consecutive month that the CFNAI-MA3 was below zero, an indication of how long the national economy has been growing below trend. Index values below zero also signal reduced inflationary pressures over the coming year.

The manufacturing sector expanded last month, as manufacturing industrial production rose 0.3 percent in February, and the Institute for Supply Management's Purchasing Managers' Index rose to 54.7. Both of these series were above their historical averages. Total nonfarm payroll employment also rose in February, but the gain of 66,000 jobs was smaller than the historical average. Overall, employment-related indicators continued to contribute negatively to the index, although to a lesser extent than in previous months. In addition, the February unemployment rate declined to 5.5 percent, and housing starts rose by 2.8 percent. Among the five broad categories of data (see sidebar) in the CFNAI, the largest positive contribution came from the production and income category, while the largest negative contribution came from the employment, unemployment, and hours category. Still, the five categories 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

	Feb '02	Jan '02	Dec '01	Nov '01	Oct '01	Sep '01	Feb '01
CFNAI							
Current	0.04	-0.33	-0.54	-1.25	-1.02	-1.94	-0.73
Previous	N/A	-0.51	-0.82	-1.26	-1.02	-1.94	-0.71
CFNAI-MA3							
Current	-0.28	-0.71	-0.94	-1.40	-1.36	-1.10	-0.82
Previous	N/A	-0.86	-1.03	-1.41	-1.36	-1.10	-0.82

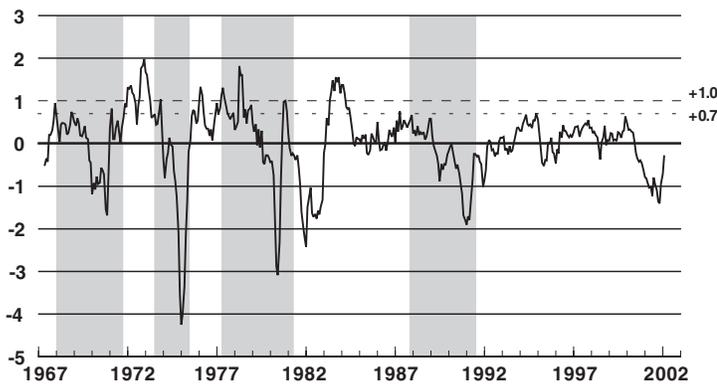
Current and Previous values reflect index values as of the March 27, 2002, release and February 28, 2002, release, respectively. N/A indicates not applicable.

generally more balanced in February than they have been since September 2000, with each category's contribution being within 0.10 percentage point of zero.

Overall, 49 of the 85 individual indicators displayed below-average growth in February; and while 50 series improved relative to January, 22 of these still indicated below-average growth. The CFNAI is constructed using data available as of March 25. At that time, February data for 52 of 85 indicators had been published. For all missing data series, estimates were used in constructing the index.

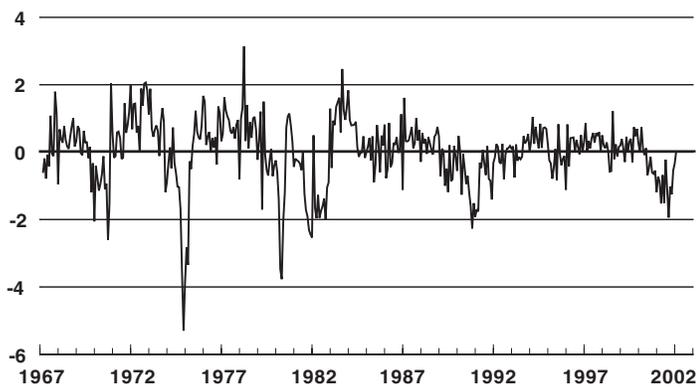
The negative February CFNAI-MA3 reading is continuing evidence that national economic growth was below trend in February. However, whether the U.S. economy was still in recession is unclear. With the exception of 1990–91, following each of the previous recessions during the sample period (1967–2002), the CFNAI-MA3 moved above +0.20 within a few months of the officially determined National Bureau of Economic Research recession trough. With the monthly index at +0.04 and improving over the last three months, the economy is clearly moving toward recovery.

CFNAI-MA3 and Inflation Cycles



(Shading represents periods of substantial inflation increases.)

CFNAI, Monthly Index

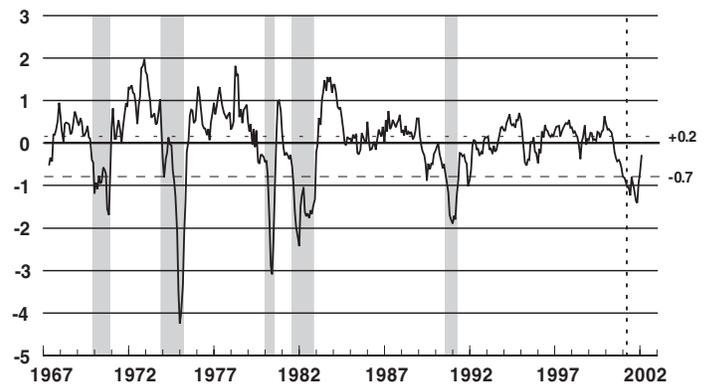


Revisions to the index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The upward revision to the January CFNAI was primarily due to revisions in previously published data for January.

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 Business Cycles



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

2002 CFNAI Release Dates

Date of Release	Monthly Data for:
April 25, 2002	March 2002
May 30, 2002	April 2002
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