

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:
January 29, 2004
10:00 am Eastern Time
9:00 am Central Time

FEDERAL RESERVE BANK
OF CHICAGO

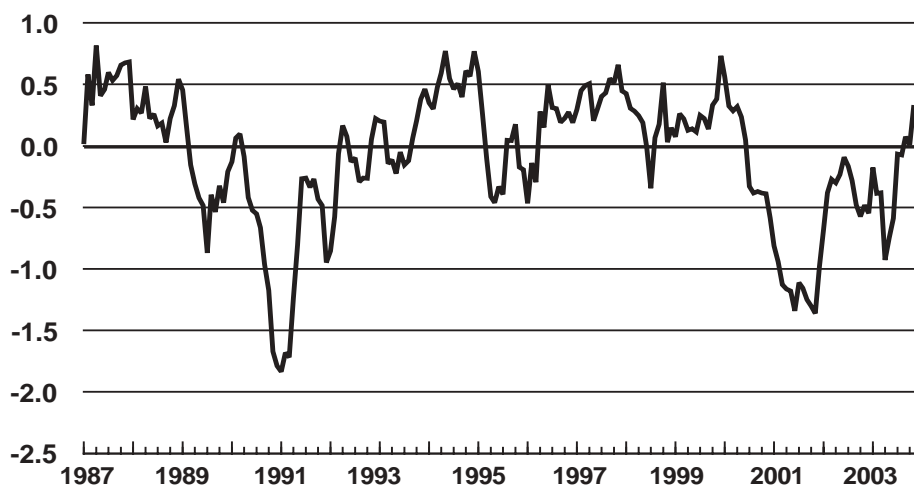
Chicago Fed National Activity Index

November CFNAI points to solid gain in economic activity

The Chicago Fed National Activity Index (CFNAI) was +0.55 in November, the highest value since March 2000 and a sharp increase from the upward-revised October reading of +0.19. Three of the four broad categories of indicators that comprise the index (see sidebar) made positive contributions last month; the employment-related category, however, made a small negative contribution. The three-month moving average index, CFNAI-MA3, also increased sharply, from an upward-revised +0.01 in October to +0.33 in November, the highest reading since January 2000. CFNAI-MA3 values above zero are associated with above-trend economic growth; accordingly, the CFNAI-MA3 value of +0.33 suggests that growth in national economic activity was above its historical trend in November. With regard to inflation, CFNAI-MA3 values above zero signal increased inflationary pressures over the coming year.

Output-related data accounted for +0.44 of the +0.55 value of the index in November. This positive contribution reflects broad-based improvement in many of the components included in the industrial production (IP) report and the Institute for Supply Management's (ISM) purchasing managers' survey of manufacturers for November. Manufacturing IP rose 0.9 percent, the largest monthly increase since October 1999. Manufacturing capacity utilization jumped to 74.3 percent in November from 73.7 percent in October. The ISM's Purchasing Managers' Index was 62.8 in November, up sharply from 57.0 in October, and the highest reading since December 1983. Despite recent job gains, the employment-related data continued to weigh on the monthly index, contributing -0.05. Nonfarm payroll employment rose 57,000 in November, but this was somewhat below its historical trend. Most of the job

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



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

	Nov '03	Oct '03	Sep '03	Aug '03	Jul '03	Jun '03	Nov '02
CFNAI							
Current	+0.55	+0.19	+0.25	-0.42	+0.39	-0.20	-0.30
Previous	N/A	+0.01	+0.16	-0.37	+0.38	-0.20	-0.30
CFNAI-MA3							
Current	+0.33	+0.01	+0.08	-0.07	-0.06	-0.59	-0.48
Previous	N/A	-0.07	+0.06	-0.06	-0.07	-0.59	-0.48

Current and Previous values reflect index values as of the December 18, 2003, release and November 20, 2003, release, respectively. N/A indicates not applicable.

gains were in private service-producing industries. The manufacturing sector lost another 17,000 jobs in November, but the average factory work week and overtime hours rose during the month. The consumption and housing category contributed +0.13 to the CFNAI in November. Notably, housing starts last month moved above a 2 million unit seasonally adjusted annual rate for the first time since February 1984. The sales, inventories, and orders category contributed +0.03 to the November CFNAI.

Overall, 51 of the 85 individual indicators made positive contributions to the index in November. Forty-nine individual series improved between October and November, although nine of these made negative contributions to the index. The November CFNAI was constructed using data available as of December 16. At that time, November data for 49 of 85 indicators had been published. For all missing data series, estimates were used in constructing the index.

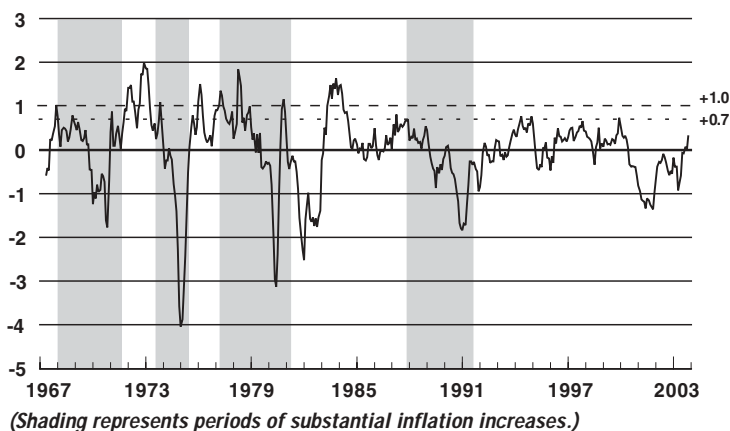
The estimate of the CFNAI for October was revised up to +0.19 from its initial estimate of +0.01. Revisions to the monthly index can be attributed to two main factors: revisions in previously

published data and differences between the estimates of previously unavailable data and subsequently published data. For October, the upward adjustment to the CFNAI was due primarily to revisions in previously published data.

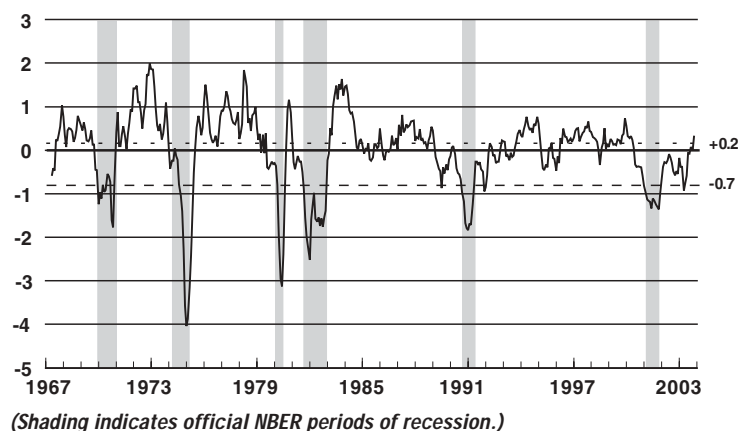
Interpreting the CFNAI-MA3

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.

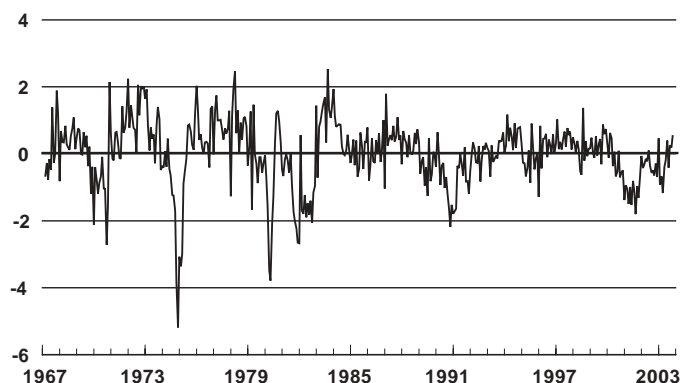
CFNAI-MA3 and Inflation Cycles



CFNAI-MA3 and Business Cycles



CFNAI, Monthly Index



2004 CFNAI Release Dates

Date of Release	Monthly Data for:
January 29, 2004	December 2003
February 25, 2004	January 2004
March 24, 2004	February 2004
April 22, 2004	March 2004
May 20, 2004	April 2004
June 30, 2004	May 2004
July 22, 2004	June 2004
August 19, 2004	July 2004
September 23, 2004	August 2004
October 21, 2004	September 2004
November 23, 2004	October 2004
December 21, 2004	November 2004

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