

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:
December 18, 2003
10:00 am Eastern Time
9:00 am Central Time

FEDERAL RESERVE BANK
OF CHICAGO

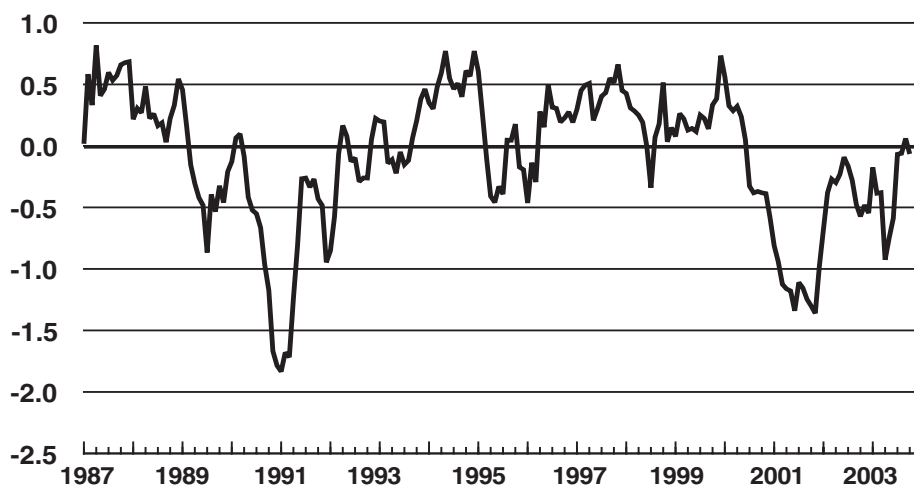
Chicago Fed National Activity Index

CFNAI indicates economy continued to grow in October

The Chicago Fed National Activity Index (CFNAI) was +0.01 in October, a small decline from the September reading of +0.16. The value for the October index reflects small contributions—both positive and negative—from each of the broad categories of indicators that comprise the index. The three-month moving average index, CFNAI-MA3, also declined slightly, from +0.06 in September to -0.07 in October. CFNAI-MA3 values below zero are associated with below-trend economic growth; accordingly, the CFNAI-MA3 value of -0.07 suggests that growth in national economic activity was slightly below its historical trend in October. With regard to inflation, CFNAI-MA3 values below zero signal decreased inflationary pressures over the coming year.

As of this month the indicators comprising the CFNAI have been realigned into four broad categories, instead of five as in previous months (see sidebar and the [Technical Report](#) available from www.chicagofed.org). The output-related data accounted for -0.01 of the +0.01 value of the index in October. This slight negative contribution reflects a below-trend reading for industrial production (IP) in October which was largely offset by a strong report from the Institute for Supply Management (ISM). Manufacturing IP increased just 0.1 percent, a smaller gain than the 0.7 percent in September. However, the ISM Purchasing Managers' Index was 57.0 in October, the highest reading since January 2000, and up from 53.7 in September. Despite recent job gains, employment-related data continued to be a drag on the monthly index, contributing -0.08. Nonfarm payroll employment rose 126,000 in October, but this was somewhat below its historical trend. Most of the job gains were in

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



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

	Oct '03	Sep '03	Aug '03	Jul '03	Jun '03	May '03	Oct '02
CFNAI							
Current	+0.01	+0.16	-0.37	+0.38	-0.20	-0.39	-0.65
Previous	N/A	+0.20	-0.40	+0.35	-0.21	-0.33	-0.77
CFNAI-MA3							
Current	-0.07	+0.06	-0.06	-0.07	-0.59	-0.75	-0.57
Previous	N/A	+0.05	-0.08	-0.06	-0.55	-0.69	-0.63

Current and Previous values reflect index values as of the November 20, 2003, release and October 30, 2003, release, respectively. N/A indicates not applicable.

the service-providing industries, where employment climbed by 143,000. Although the manufacturing sector lost another 24,000 jobs in October, this was the smallest job loss since November 2000. Combined, the consumption and housing and the sales, orders, and inventories categories contributed +0.10 to the October CFNAI. Given this month's data cutoff date, October data were available for very few series in these two categories. Consequently, most of these indicators had to be estimated for October.

Overall, 37 of the 85 individual indicators displayed positive contributions to the index in October. Forty-two individual series improved between September and October, although 20 of these still indicated below-average contributions to the index. The October CFNAI was constructed using data available as of November 18. At that time, October data for 43 of 85 indicators had been published. For all missing data series, estimates were used in constructing the index.

The estimate of the CFNAI for September was revised downward to +0.16 from its initial estimate of +0.20. Revisions to the index can be attributed to two main factors: revisions in previously published data and differences between the estimates of

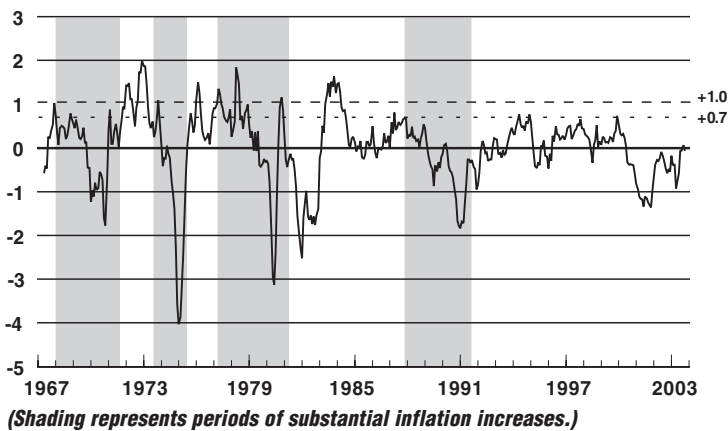
previously unavailable data and subsequently published data. For September these two effects essentially offset each other.

To reflect changes in data series availability, several changes to the indicators comprising the CFNAI have been made. For details, see the *Technical Report* at www.chicagofed.org/economic_research_and_data/files/cfna1_technical_report.pdf.

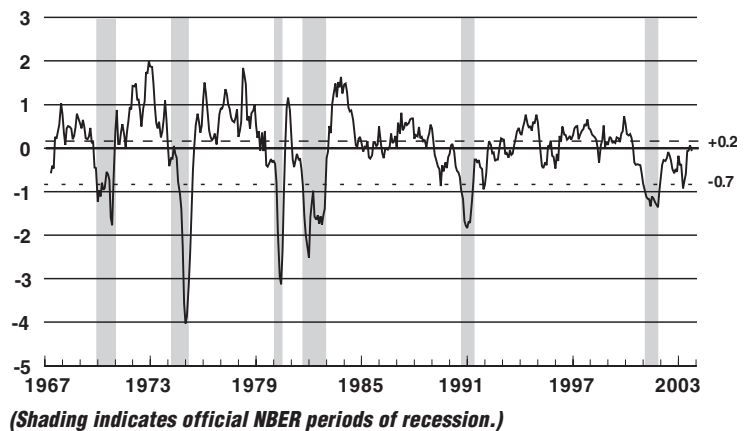
Interpreting the CFNAI-MA3

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.

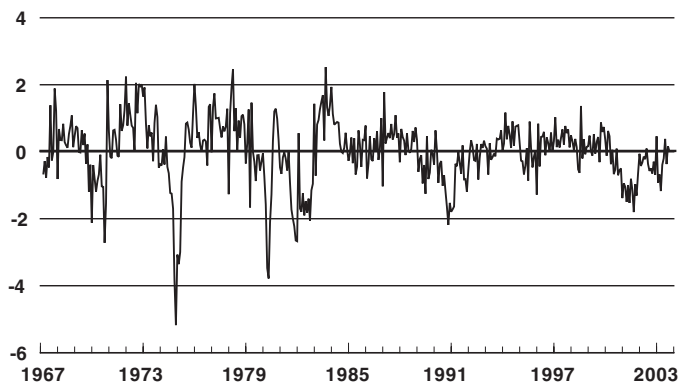
CFNAI-MA3 and Inflation Cycles



CFNAI-MA3 and Business Cycles



CFNAI, Monthly Index



2003–2004 CFNAI Release Dates

Date of Release	Monthly Data for:
December 18, 2003	November 2003
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>.