

News Release

Embargoed for release:
10:00 am Eastern Time
9:00 am Central Time
April 22, 2004

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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:
May 20, 2004
10:00 am Eastern Time
9:00 am Central Time

FEDERAL RESERVE BANK
OF CHICAGO

Chicago Fed National Activity Index

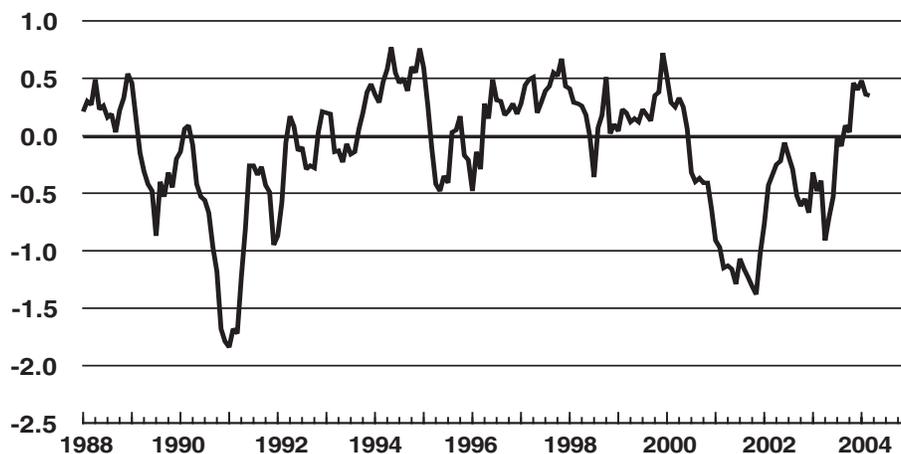
March CFNAI again indicates above-trend economic growth

The Chicago Fed National Activity Index (CFNAI) decreased somewhat from February to March, but remained above zero for the seventh month in a row. The monthly CFNAI was +0.17 in March, following an upward-revised +0.47 reading in February. Three of the four broad categories of indicators that comprise the index made positive contributions in March, with the exception being the production-related measures. The three-month moving average, CFNAI-MA3, came in at +0.35 in March, virtually unchanged from the previous month. CFNAI-MA3 values above zero are associated with above-trend economic growth; accordingly, the CFNAI-MA3 value of +0.35 suggests that growth in economic activity was above its historical trend in March. In addition, CFNAI-MA3 values above zero suggest increased inflationary pressures over the coming year.

The decline in the monthly CFNAI in March primarily reflected a swing in the contribution of production-related data from +0.43 in February to -0.10 last month. Industrial production (IP) fell 0.2 percent in March, the first monthly decrease since last May. Manufacturing output, which accounts for the bulk of industrial production, was unchanged in March. The negative impact of IP on the production category was partially offset by continued strength in the Institute for Supply Management's Purchasing Managers' Index for manufacturing, which rose to 62.5 in March from 61.4 in February.

The consumption and housing category made the largest positive contribution (+0.11) to the March CFNAI. Notably, both housing starts and building permits rose from already high levels. Employment-related data added +0.09 to the CFNAI in March, following a -0.09

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



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

	Mar '04	Feb '04	Jan '04	Dec '03	Nov '03	Oct '03	Mar '03
CFNAI							
Current	+0.17	+0.47	+0.41	+0.21	+0.81	+0.17	-0.66
Previous	N/A	+0.39	+0.40	+0.07	+0.81	+0.16	-0.63
CFNAI-MA3							
Current	+0.35	+0.36	+0.48	+0.40	+0.46	+0.03	-0.39
Previous	N/A	+0.29	+0.43	+0.35	+0.46	+0.03	-0.39

Current and Previous values reflect index values as of the April 22, 2004, release and March 24, 2004, release, respectively. N/A indicates not applicable.

contribution the previous month. While this was just the fourth positive contribution from employment-related data since April 2000, it was the third in the last six months. Nonfarm payroll employment surged by 308,000 in March, the largest monthly increase in nearly four years. Hiring picked up in both service-producing and goods-producing industries; furthermore, manufacturing payrolls held steady in March, snapping a string of 43 straight monthly declines. Finally, the sales, inventories, and orders category made a +0.08 contribution to the CFNAI last month.

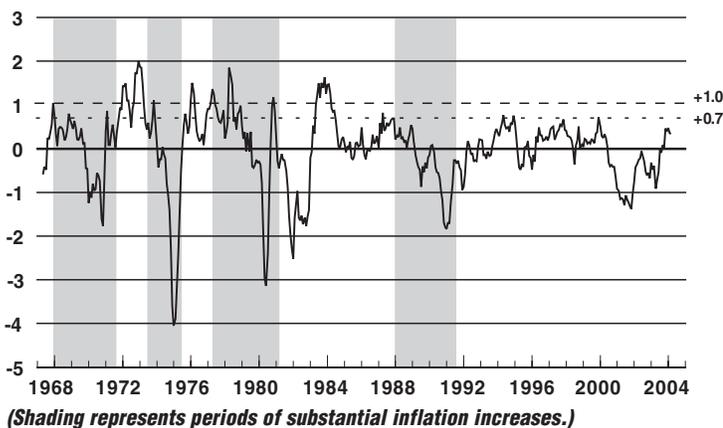
Overall, 45 of the 85 individual indicators made positive contributions to the index in March. Forty-four individual series improved between February and March, although eleven of these still indicated below-average contributions to the index. The CFNAI was constructed using data available as of April 20. At that time, March data for 52 of 85 indicators had been published. For all missing data series, estimates were used in constructing the index.

The estimate of the CFNAI for February was revised up to +0.47 from its initial estimate of +0.39. 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 February, the upward adjustment to CFNAI was due primarily to revisions in previously published data.

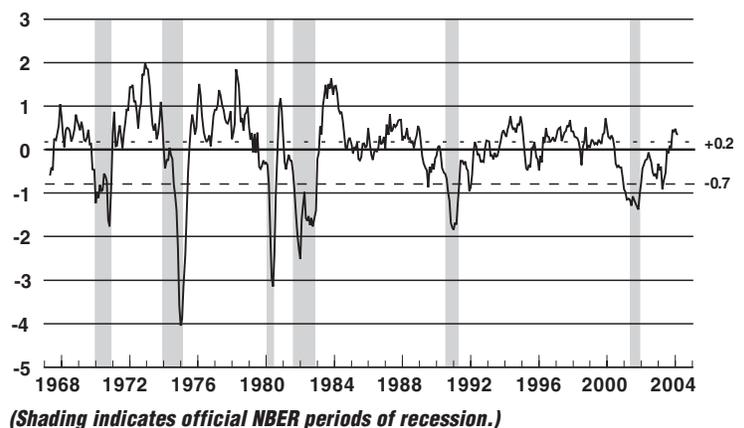
Interpreting the CFNAI-MA3

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.

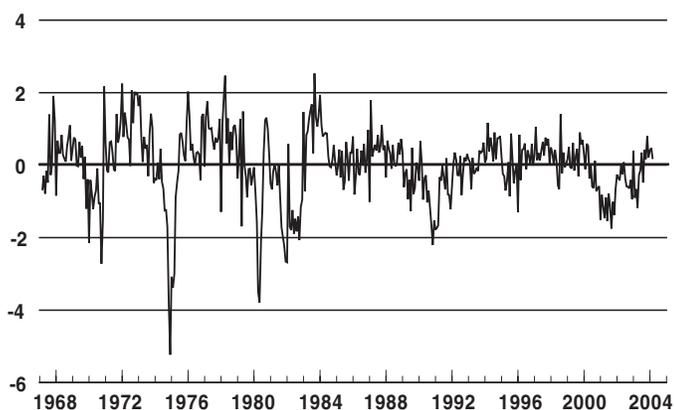
CFNAI-MA3 and Inflation Cycles



CFNAI-MA3 and Business Cycles



CFNAI, Monthly Index



2004 CFNAI Release Dates

Date of Release	Monthly Data for:
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>.