

News Release

Embargoed for release:
10:00 am Eastern Time
9:00 am Central Time
June 22, 2005

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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 are included in 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:
July 21, 2005
10:00 am Eastern Time
9:00 am Central Time

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Chicago Fed National Activity Index

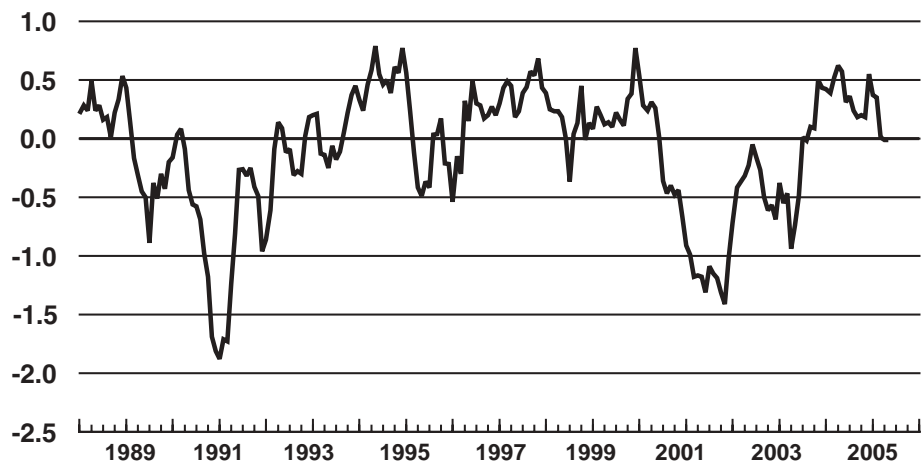
CFNAI indicates economic growth near trend again in May

The Chicago Fed National Activity Index was +0.10 in May, up from +0.05 in April. Two of the four broad categories of indicators that make up the index—production and income and consumption and housing—made positive contributions (see sidebar). The three-month moving average, CFNAI-MA3, was -0.01 in May. A CFNAI-MA3 reading of zero is associated with trend economic growth; accordingly, the CFNAI-MA3 value of -0.01 in May suggests that growth in national economic activity was close to its historical trend. With regard to inflation, a CFNAI-MA3 value near zero indicates neutral inflationary pressures over the coming year.

The slight increase in the monthly CFNAI largely reflected a swing in the contribution of production-related indicators from -0.22 in April to +0.13 in May. Total industrial production (IP) increased 0.4 percent in May following a 0.3 percent decline in April. The increase in factory output was even greater, as manufacturing IP rose 0.6 percent last month after declining 0.1 percent in April. In addition, manufacturing capacity utilization in May edged up to 78.2 percent from 77.9 percent in April. All three factors resulted in positive contributions to the CFNAI last month.

The consumption and housing-related data category also made a positive contribution (+0.11) to the CFNAI. Housing starts edged up 0.2 percent in May after climbing 9.4 percent in April, while residential building permits fell 4.6 percent in May after rising 6.3 percent in April. Both measures remained well above historical norms and, as a result, continued to make strong positive contributions to the CFNAI.

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



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

	May '05	Apr '05	Mar '05	Feb '05	Jan '05	Dec '04	May '04
CFNAI							
Current	+0.10	+0.05	-0.17	+0.10	+0.12	+0.83	+0.57
Previous	N/A	+0.10	-0.04	+0.16	+0.11	+0.83	+0.57
CFNAI-MA3							
Current	-0.01	-0.01	+0.01	+0.35	+0.37	+0.55	+0.57
Previous	N/A	+0.08	+0.08	+0.37	+0.36	+0.54	+0.57

Current and Previous values reflect index values as of the June 22, 2005, release and May 19, 2005, release, respectively. N/A indicates not applicable.

The employment-related category of indicators made the largest negative contribution (-0.09) to the CFNAI. Notably, the nonfarm payroll employment gain of 78,000 in May was below the historical average, resulting in a negative contribution to the CFNAI. This contrasts with a 274,000 increase in jobs that resulted in a positive contribution to the April CFNAI. The negative contribution from employment in May was partially offset by a decline in the unemployment rate from 5.2 percent to 5.1 percent. The sales, inventories, and orders category made a small negative contribution (-0.05) to the May CFNAI.

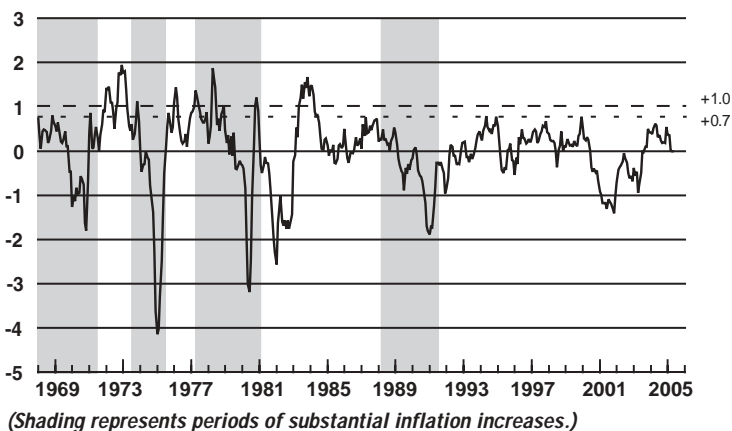
Forty-five of the 85 individual indicators made positive contributions to the index in May, while 39 made negative contributions and one was neutral. Thirty-six indicators improved from April to May, although seven of these made below-average contributions to the index. The CFNAI was constructed using data available as of June 20, 2005. At that time, May data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

April's CFNAI was revised down from its initial estimate of +0.10 to +0.05. 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. The downward revision to April's CFNAI was primarily due to revisions in previously published data.

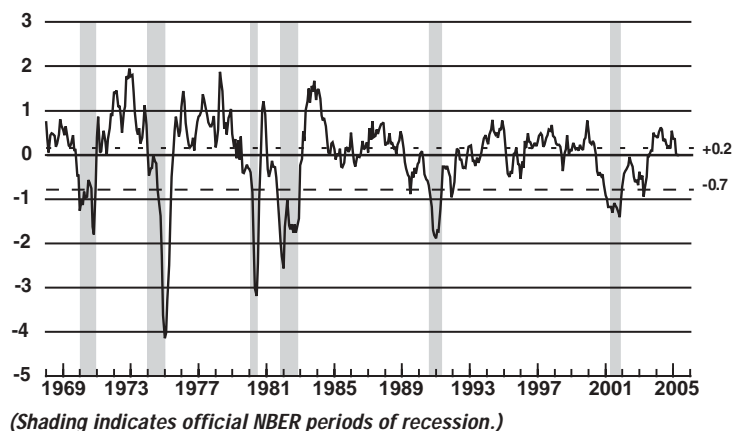
Interpreting the CFNAI-MA3

If CFNAI-MA3 > +1.00 more than two years into an economic expansion...	Substantial likelihood that a period of sustained accelerating inflation has begun.
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 > +0.20 following a period of economic contraction...	Significant likelihood that a recession has ended.
If CFNAI-MA3 < -0.70 following a period of economic expansion...	Increasing likelihood that a recession has begun.

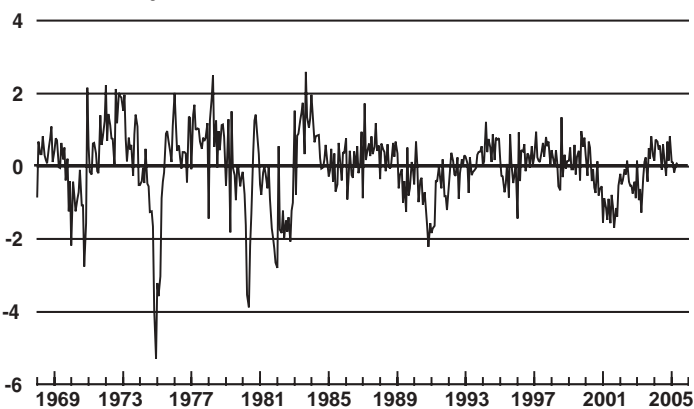
CFNAI-MA3 and Inflation Cycles



CFNAI-MA3 and Business Cycles



CFNAI, Monthly Index



2005 CFNAI Release Dates

Date of Release	Monthly Data for:
July 21, 2005	June 2005
August 18, 2005	July 2005
September 22, 2005	August 2005
October 26, 2005	September 2005
November 22, 2005	October 2005
December 22, 2005	November 2005