

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 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:
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FEDERAL RESERVE BANK
OF CHICAGO

Chicago Fed National Activity Index

CFNAI indicates economic growth near trend in October

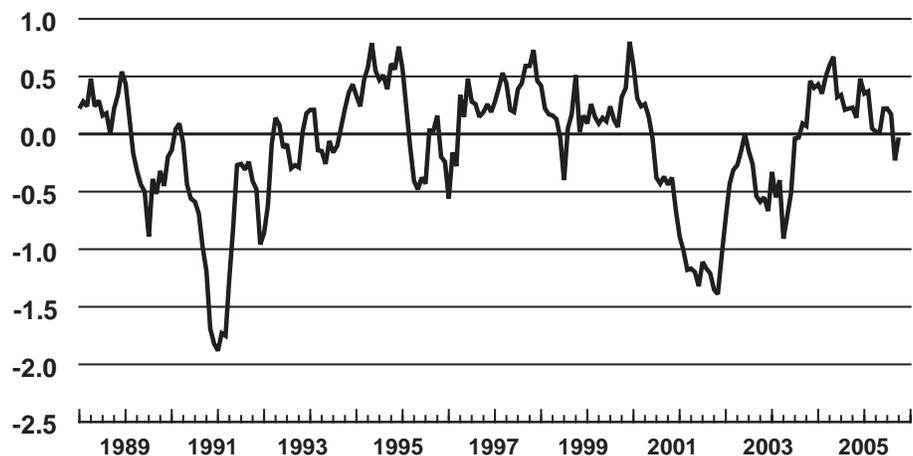
The Chicago Fed National Activity Index was +0.73 in October, up from -0.82 in September. All four broad categories of indicators that make up the index made positive contributions (see sidebar). The three-month moving average, CFNAI-MA3, was -0.03 in October. A CFNAI-MA3 reading of zero is associated with trend economic growth; accordingly, the CFNAI-MA3 value of -0.03 in October suggests that growth in national economic activity was about at its historical trend. With regard to inflation, a CFNAI-MA3 value near zero indicates little inflationary pressure over the coming year.

Production-related indicators made a strong positive contribution to the CFNAI, rising from -0.57 in September to +0.55 in October. Total industrial production (IP) rose 0.9 percent in October after falling 1.5 percent in September, while total capacity utilization rose from 78.9 percent in September to 79.5 percent in October. Hurricane-related recoveries and the resolution of the Boeing labor strike contributed to positive swings in both IP and capacity utilization.

Employment-related indicators also made a positive contribution to the CFNAI, increasing from -0.29 in September to +0.01 in October. Notably, nonfarm payroll employment increased 56,000 in October; employment had declined 8,000 in September, reflecting developments in areas hit by Hurricane Katrina. The unemployment rate fell from 5.1 percent in September to 5.0 percent in October.

Consumption and housing indicators rose from +0.06 in September to +0.14 in October. Housing starts fell 5.6 percent in October after rising 2.5 percent in September, and residential building

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 '05	Sep '05	Aug '05	Jul '05	Jun '05	May '05	Oct '04
CFNAI							
Current	+0.73	-0.82	0.00	+0.12	+0.38	+0.15	+0.60
Previous	N/A	-0.71	-0.09	+0.19	+0.39	+0.20	+0.68
CFNAI-MA3							
Current	-0.03	-0.23	+0.17	+0.22	+0.22	+0.01	+0.23
Previous	N/A	-0.20	+0.16	+0.26	+0.18	+0.03	+0.21

Current and Previous values reflect index values as of the November 22, 2005, release and October 26, 2005, release, respectively. N/A indicates not applicable.

permits fell 6.7 percent after rising 3.8 percent in the previous month. However, both measures remain above historical norms and, as a result, continued to make positive contributions to the CFNAI. The sales, orders, and inventories category made a positive contribution of +0.03 to the October CFNAI.

Fifty-one of the 85 individual indicators made positive contributions to the index in October, while 33 made negative contributions and one was neutral. Fifty-seven indicators improved from September to October, although nineteen of these made below-average contributions to the index. The CFNAI was constructed using data available as of November 18, 2005. At that time, October data for 49 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

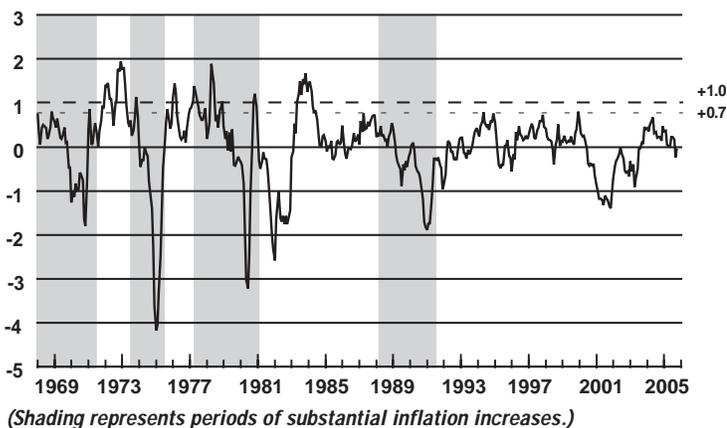
September's CFNAI initial estimate of -0.71 was revised down to -0.82. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The downward revision to

September's CFNAI was primarily due to differences between estimates of previously unavailable data and subsequently published data.

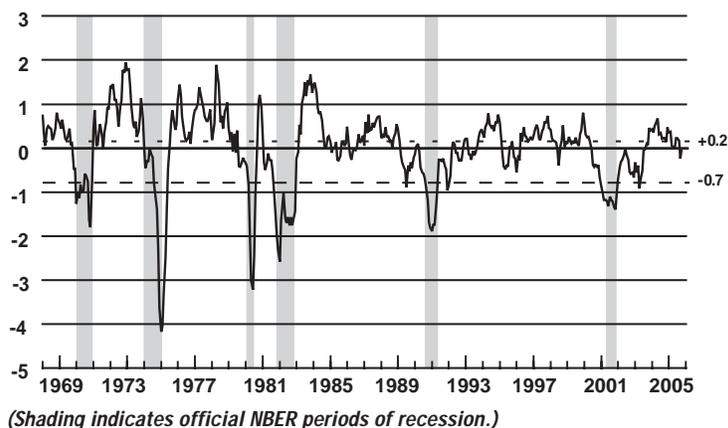
Interpreting the CFNAI-MA3

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.

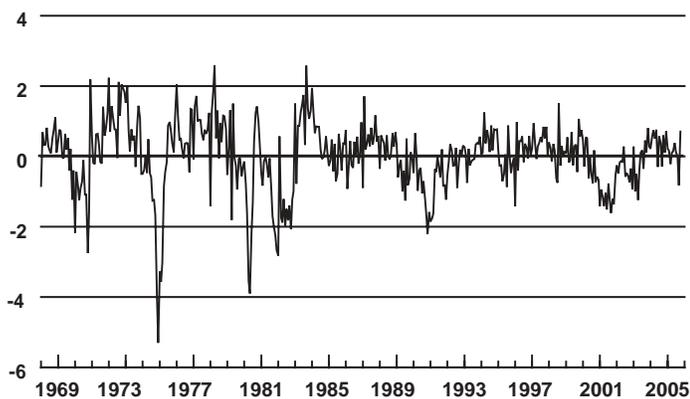
CFNAI-MA3 and Inflation Cycles



CFNAI-MA3 and Business Cycles



CFNAI, Monthly Index



2005 and 2006 CFNAI Release Dates

Date of Release	Monthly Data for:
December 22, 2005	November 2005
January 25, 2006	December 2005
February 23, 2006	January 2006
March 22, 2006	February 2006
April 20, 2006	March 2006
May 18, 2006	April 2006
June 22, 2006	May 2006
July 26, 2006	June 2006
August 23, 2006	July 2006
September 21, 2006	August 2006
October 25, 2006	September 2006
November 21, 2006	October 2006
December 21, 2006	November 2006

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