

News Release

Embargoed for release:
10:00 am Eastern Time
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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 five broad categories of data:

- 1) production and income;
- 2) employment, unemployment, and hours;
- 3) personal consumption and housing;
- 4) manufacturing and trade sales; and
- 5) inventories and orders.

The next CFNAI will be released:
February 4, 2002
10:00 am Eastern Time
9:00 am Central Time

FEDERAL RESERVE BANK
OF CHICAGO

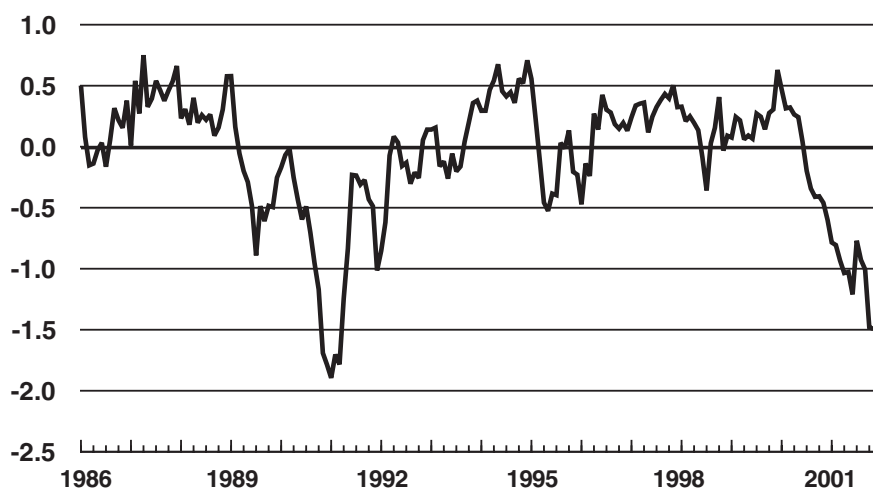
Chicago Fed National Activity Index

Economy still at recessionary level

The Chicago Fed National Activity Index (CFNAI) improved in November, with the monthly index rising to -1.21 from an upward revised value of -1.60 in October. Despite the improvement, the November reading of -1.49 for the three-month moving average index, CFNAI-MA3, was little changed from the upward revised value of -1.48 in October. The CFNAI-MA3 continues to be in a negative range that historically has been associated only with economic recessions. November marked the seventeenth consecutive month that the CFNAI-MA3 was below zero, an indication of how long the national economy has been growing below trend. Index values below zero signal reduced inflationary pressures over the coming year.

Economic weakness continued to be widespread throughout the individual November data series that comprise the index. The largest negative contributions to the CFNAI came from the November labor market report. Payroll employment fell by 331,000, with continuing signs that the deterioration in the job market was spreading into service-producing sectors. In addition, the national unemployment rate increased 0.3 percentage point to 5.7 percent. The pace of economic decline, however, slowed in some sectors, as a number of indicators that receive a large weight in the index did not fall as much in November as they did in October. Notably, November industrial production fell by 0.3 percent, compared with October's upward revised value of -0.9. Similarly, the Purchasing Managers' index improved to 44.5 in November. Although this value continues to depict a shrinking manufacturing sector, the pace of

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 '01	Oct '01	Sep '01	Aug '01	Jul '01	Jun '01	Nov '00
CFNAI							
Current	-1.21	-1.60	-1.67	-1.16	-0.18	-1.44	-0.65
Previous	N/A	-1.70	-1.78	-1.22	-0.18	-1.44	-0.66
CFNAI-MA3							
Current	-1.49	-1.48	-1.01	-0.93	-0.77	-1.21	-0.46
Previous	N/A	-1.56	-1.06	-0.95	-0.77	-1.21	-0.46

Current and Previous values reflect index values as of the December 20, 2001, release and December 5, 2001, release, respectively. N/A indicates not applicable.

decline is not as great as October's reading of 39.8. On the positive side, housing starts rose in November, continuing the pattern during this economic downturn where personal consumption and housing data have made positive contributions to the index.

Overall, 69 of the 85 individual indicators displayed below-average growth in November; and while 46 series improved relative to October, 37 of these still indicated below-average growth. The CFNAI is constructed using data available as of December 18. At that time, November data for 49 of 85 indicators had been published. Estimates for all missing series were used in constructing the index.

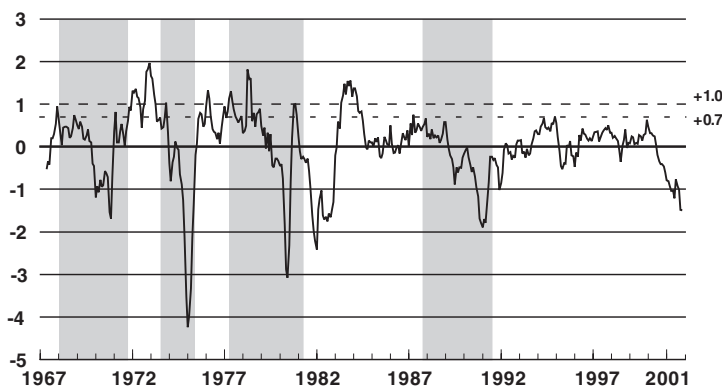
The negative November reading is continuing evidence that national economic growth was substantially below trend and the U.S. economy is in recession. Following each of the five recessions during the CFNAI-MA3 sample period (1967–2001), a reading above 0.20 indicated that the economy had returned to expansion. With the exception of the 1990–91 recession, this early signal occurred within a few months of the officially determined National Bureau of Economic Research recession trough.

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. The upward revision to the October CFNAI was entirely due to revisions to previously published October source data.

Interpreting the CFNAI-MA3

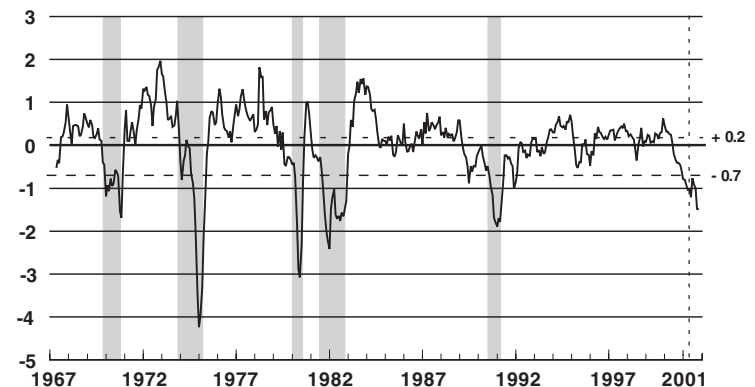
If CFNAI-MA3 < -0.70 following a period of economic expansion...	Increasing likelihood that a recession has begun.
If CFNAI-MA3 > +0.20 following a period of economic contraction...	Significant likelihood that a recession has ended.
If CFNAI-MA3 > +0.70 more than two years into an economic expansion...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



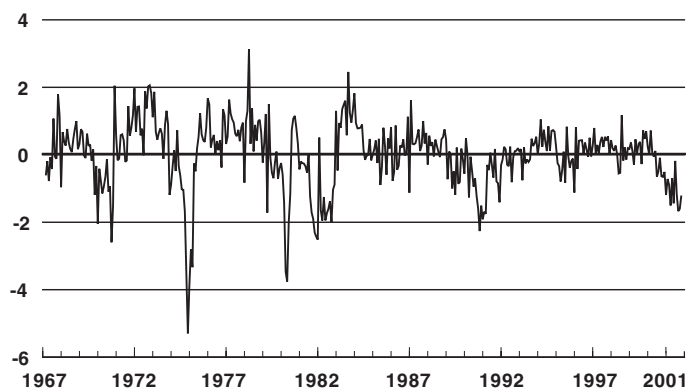
(Shading represents periods of substantial inflation increases.)

CFNAI-MA3 and Business Cycles



(Shading indicates official NBER periods of recession; dashed vertical line indicates the most recent business cycle peak.)

CFNAI, Monthly Index



2002 CFNAI Release Dates

Date of Release	Monthly Data for:
February 4, 2002	December 2001
February 28, 2002	January 2002
March 27, 2002	February 2002
April 25, 2002	March 2002
May 30, 2002	April 2002
July 1, 2002	May 2002
July 25, 2002	June 2002
August 29, 2002	July 2002
September 30, 2002	August 2002
October 30, 2002	September 2002
November 21, 2002	October 2002
December 19, 2002	November 2002

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