

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 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:
May 29, 2003
10:00 am Eastern Time
9:00 am Central Time

FEDERAL RESERVE BANK
OF CHICAGO

Chicago Fed National Activity Index

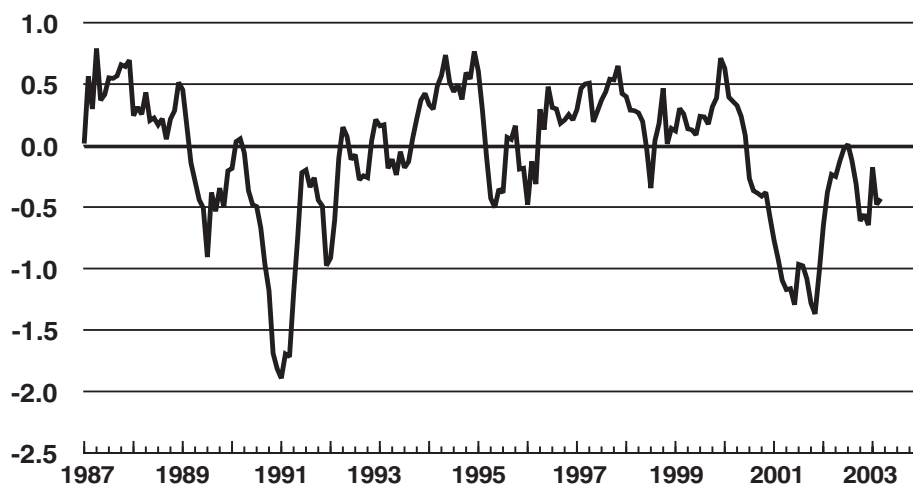
CFNAI indicates sluggish economic activity again in March

The Chicago Fed National Activity Index (CFNAI) continued to depict a weak national economy in March, with the monthly index coming in at -0.67 . Still, this reading was an improvement over February's downward revised value of -1.24 . The March index marked the seventh below-zero reading in eight months. Weak employment- and production-related data were the main factors behind March's negative reading. The three-month moving average index, CFNAI-MA3, increased slightly in March to -0.43 from February's revised reading of -0.48 . Since the most recent business cycle peak in March 2001, the only positive value of the CFNAI-MA3 has been $+0.02$, which occurred in July 2002.

CFNAI-MA3 values below zero are associated with below-trend economic growth. The CFNAI-MA3 value of -0.43 suggests that national economic activity continued to expand in March, but the pace was below its historical trend. This reading is consistent with the advance report of first-quarter real GDP rising at a 1.6 percent annual rate. The moving-average index generally needs to fall below -0.70 before the probability of negative economic growth exceeds 70 percent. In addition, CFNAI-MA3 values below zero signal reduced inflationary pressures over the coming year.

Of the five broad data categories underlying the CFNAI (see sidebar), the production- and employment-related categories made equal contributions to the index in March. Within the production-related category, total industrial production fell 0.5 percent in March. 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

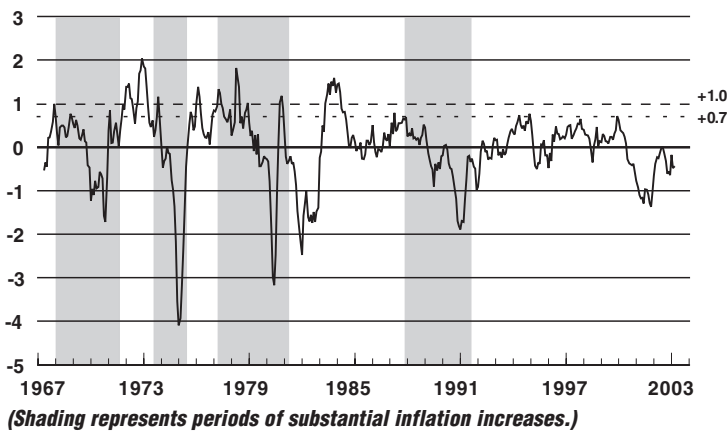
	Mar '03	Feb '03	Jan '03	Dec '02	Nov '02	Oct '02	Mar '02
CFNAI							
Current	-0.67	-1.24	+0.62	-0.81	-0.34	-0.79	-0.28
Previous	N/A	-0.62	+0.53	-0.74	-0.35	-0.77	-0.29
CFNAI-MA3							
Current	-0.43	-0.48	-0.18	-0.65	-0.56	-0.61	-0.23
Previous	N/A	-0.28	-0.19	-0.62	-0.56	-0.61	-0.23

Current and Previous values reflect index values as of the April 30, 2003, release and March 27, 2003, release, respectively. N/A indicates not applicable.

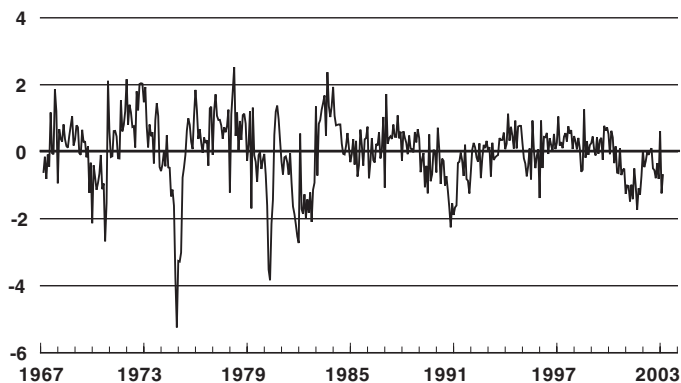
manufacturing, the decline was a smaller 0.2 percent, with manufacturing capacity utilization falling further to 72.9 percent, well below its historical average. The Institute for Supply Management's Purchasing Managers' Index fell to 46.2, indicating a contraction in the manufacturing sector in March. In total, the production-related category contributed -0.36 to the monthly CFNAI level of -0.67 in March. In the employment-related category, total nonfarm payroll employment fell by 108,000 jobs, and the manufacturing sector lost 36,000 jobs. The unemployment rate was unchanged at 5.8 percent. With broad weakness in labor market data relative to historical averages, the employment-related indicators contributed -0.36 to the total monthly index. The other three categories combined for $+0.05$ of the monthly index.

Overall, 56 of the 85 individual indicators displayed below-average growth in March. Relative to February, 55 of the 85 series showed improvement, but 31 of the improved series still indicated below-average growth. The CFNAI is constructed using data available as of April 28. At that time, March data for 60 of 85 indicators had been published. For all missing data series, estimates were used in constructing the index.

CFNAI-MA3 and Inflation Cycles



CFNAI, Monthly Index

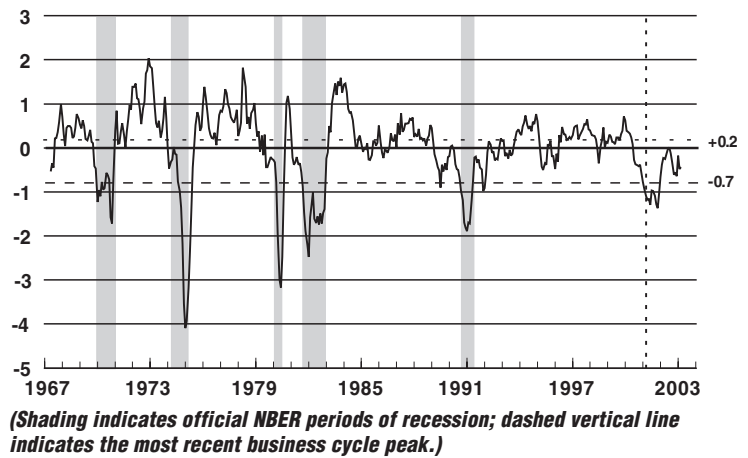


At -1.24 , the revised estimate of the CFNAI for February was substantially lower than its initial estimate of -0.62 . Revisions to the index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. For February, the largest revisions were due to differences between the estimates and subsequently 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 Business Cycles



2003 CFNAI Release Dates

Date of Release	Monthly Data for:
May 29, 2003	April 2003
June 26, 2003	May 2003
July 30, 2003	June 2003
August 28, 2003	July 2003
September 25, 2003	August 2003
October 30, 2003	September 2003
November 20, 2003	October 2003
December 18, 2003	November 2003

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