

## News Release

Embargoed for release:  
10:00 am Eastern Time  
9:00 am Central 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 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:  
June 30, 2004  
10:00 am Eastern Time  
9:00 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed National Activity Index

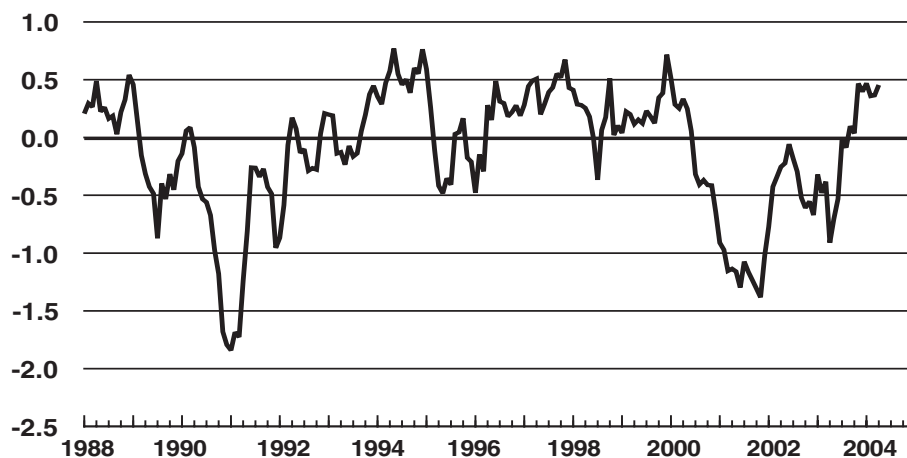
## CFNAI indicates economic activity accelerated in April

The Chicago Fed National Activity index increased sharply in April, to +0.64, from an upward-revised +0.23 in March. Each of the four broad categories of indicators that comprise the index made positive contributions in April, with production- and employment-related measures making the strongest contributions. The three-month moving average, CFNAI-MA3, was +0.45 in April, up from +0.37 the previous month, and the eighth consecutive reading above zero. CFNAI-MA3 values above zero are associated with above-trend economic growth; accordingly, the latest CFNAI-MA3 value suggests that growth in economic activity was above its historical trend again in April, as it has been since last September. With regard to inflation, CFNAI-MA3 values above zero suggest increased inflationary pressures over the coming year.

The sharp increase in the monthly CFNAI in April primarily reflected a sizable shift in the contribution of production-related data from -0.05 in March to +0.35 last month. Industrial production (IP) rose a solid 0.8% in April, after slipping 0.1% the prior month. Manufacturing output jumped 0.7% in April and capacity utilization at U.S. factories increased to 75.7%, its highest level in nearly three years. The Institute for Supply Management's (ISM) Purchasing Managers' Index for manufacturing was basically unchanged in April and, at 62.4, continued to indicate firm expansion in manufacturing.

Employment-related data contributed +0.18 to April's CFNAI, after accounting for +0.08 in March. The contribution from employment-related data in April was the largest in four years. Nonfarm payrolls increased by 288,000 last month, with gains widespread across service- and goods-producing sectors. Notably, manufacturing employment (after recent revisions)

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



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

	Apr '04	Mar '04	Feb '04	Jan '04	Dec '03	Nov '03	Apr '03
<b>CFNAI</b>							
Current	+0.64	+0.23	+0.48	+0.38	+0.21	+0.81	-1.18
Previous	N/A	+0.17	+0.47	+0.41	+0.21	+0.81	-1.18
<b>CFNAI-MA3</b>							
Current	+0.45	+0.37	+0.36	+0.47	+0.40	+0.47	-0.91
Previous	N/A	+0.35	+0.36	+0.48	+0.40	+0.46	-0.91

Current and Previous values reflect index values as of the May 20, 2004, release and April 22, 2004, release, respectively. N/A indicates not applicable.

was up for the third month in a row. The employment component of the ISM's manufacturing survey also added to the monthly CFNAI in April. The consumption and housing category made a +0.09 contribution to April's CFNAI, slightly less than the +0.12 in March. Building permits increased 1.2% in April, but housing starts fell 2.1%. However, both indicators remained at levels above historical norms; accordingly, both made positive contributions to April's CFNAI. Finally, the sales, inventories, and orders category accounted for +0.02 of the CFNAI last month, after contributing +0.09 in March.

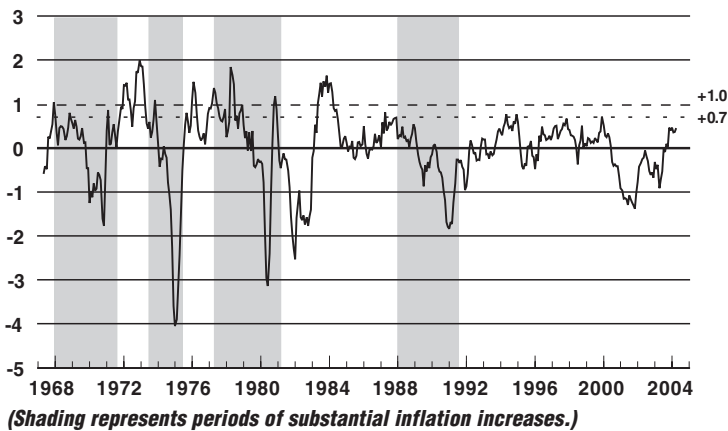
Overall, 57 of the 85 individual indicators made positive contributions to the index in April. Forty-nine individual series improved between March and April, with only six of these still indicating below-average contributions to the index. The CFNAI was constructed using data available as of May 18. At that time, April data for 49 of 85 indicators had been published. For all missing data series, estimates were used in constructing the index.

The estimate of the CFNAI for March was revised up to +0.23 from its initial estimate of +0.17. 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 March, the upward adjustment to CFNAI was primarily due to revisions in previously published data.

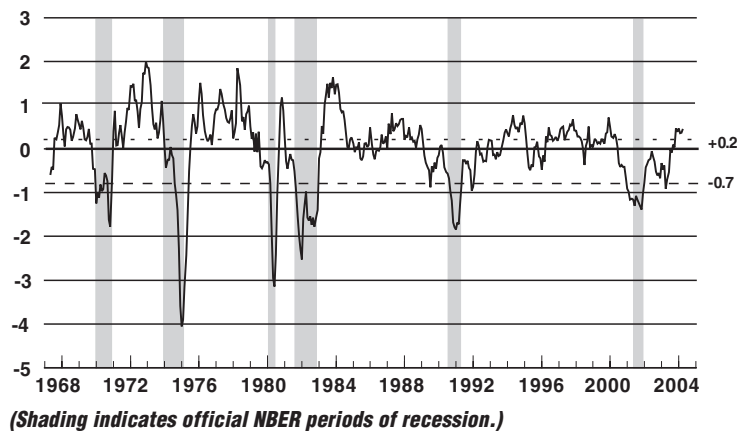
### Interpreting the CFNAI-MA3

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.

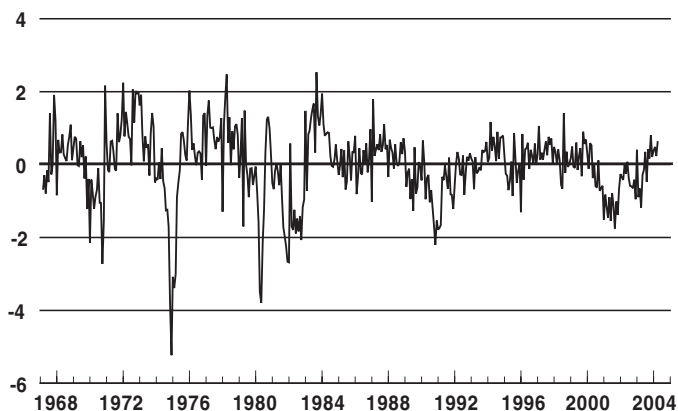
### CFNAI-MA3 and Inflation Cycles



### CFNAI-MA3 and Business Cycles



### CFNAI, Monthly Index



### 2004 CFNAI Release Dates

Date of Release	Monthly Data for:
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>.