

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 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:
December 21, 2004
10:00 am Eastern Time
9:00 am Central Time

FEDERAL RESERVE BANK
OF CHICAGO

Chicago Fed National Activity Index

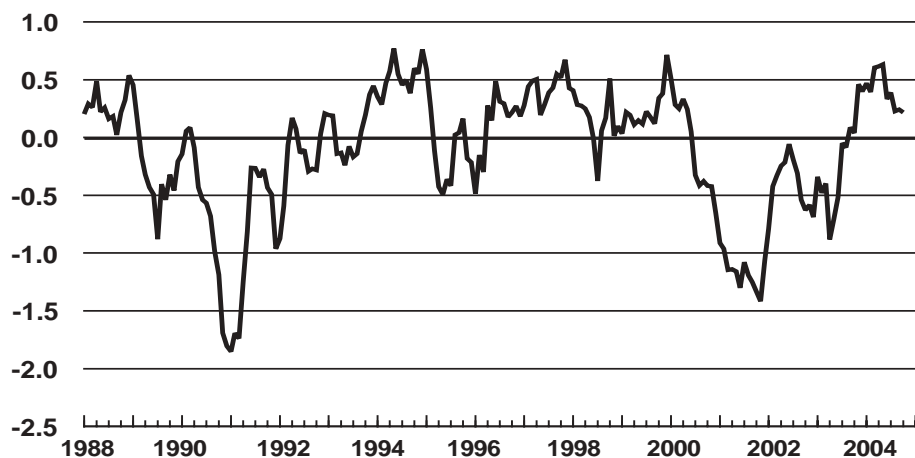
CFNAI points to above-trend economic growth in October

The Chicago Fed National Activity Index was +0.52 in October, up sharply from -0.04 in September. For the first time since March, all four of the broad categories of indicators that comprise the index made positive contributions in October. Moreover, the contributions from production-related and employment-related indicators swung from negative in September to positive last month. The three-month moving average, CFNAI-MA3, was +0.22 in October, little changed from a reading of +0.24 in September. CFNAI-MA3 readings above zero are associated with above-trend economic growth; accordingly, the CFNAI-MA3 value of +0.22 in October suggests that growth in national economic activity was above its historical trend for the fourteenth straight month. With regard to inflation, CFNAI-MA3 values above zero suggest increased inflationary pressures over the coming year.

Production-related data made the largest contribution to the CFNAI in October, +0.27 compared to -0.10 in the previous month. Total industrial production (IP) jumped 0.7 percent in October, following a 0.1 percent increase in September. Manufacturing IP, which accounts for over 80 percent of total IP, was also up 0.7 percent last month after declining 0.3 percent in September. The Institute for Supply Management's Purchasing Managers Index for manufacturing slipped from 58.5 in September to 56.8 in October, but continued to suggest a solid manufacturing expansion.

The contribution of employment-related indicators to the CFNAI also swung from negative (-0.08) in September to positive (+0.11) in October. Nonfarm payroll employment surged

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 '04	Sep '04	Aug '04	Jul '04	Jun '04	May '04	Oct '03
CFNAI							
Current	+0.52	-0.04	+0.17	+0.59	-0.08	+0.65	+0.19
Previous	N/A	-0.01	+0.03	+0.55	-0.08	+0.65	+0.19
CFNAI-MA3							
Current	+0.22	+0.24	+0.23	+0.39	+0.33	+0.63	+0.04
Previous	N/A	+0.19	+0.17	+0.37	+0.33	+0.63	+0.04

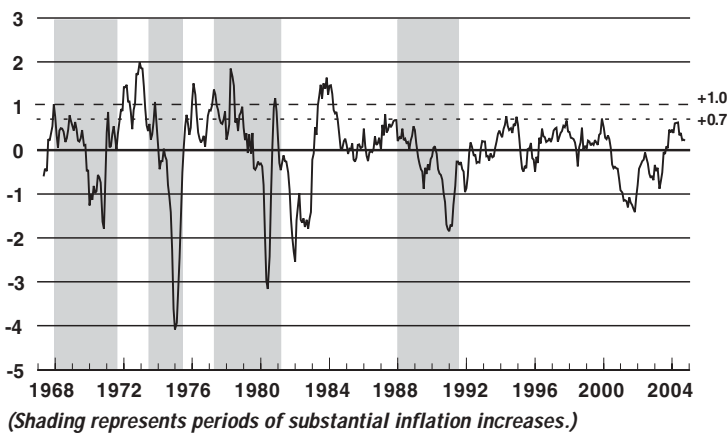
Current and Previous values reflect index values as of the November 23, 2004, release and October 21, 2004, release, respectively. N/A indicates not applicable.

337,000 last month, the biggest monthly increase since March, following an upward-revised gain of 139,000 in September. The contribution from employment-related data in October was tempered somewhat by an increase in the unemployment rate and a decrease in average weekly hours in manufacturing.

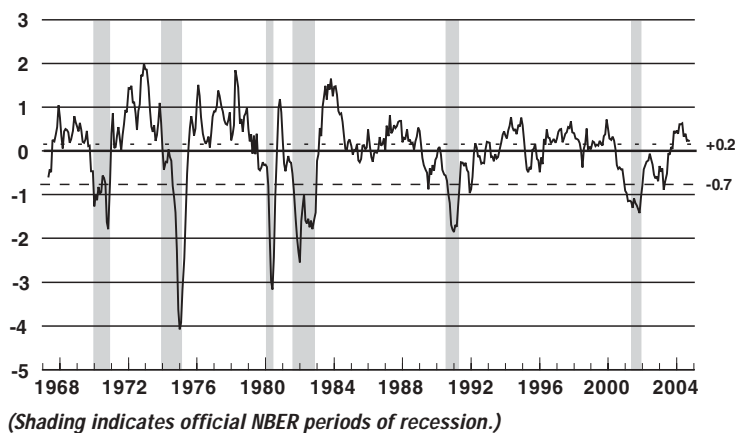
The contribution from consumption and housing-related data was +0.10 in October, virtually unchanged from the previous month. Notably, housing starts jumped to a seasonally adjusted annual rate of 2.027 million units last month, the highest since December 2003. Residential building permits were off slightly in October, but remained well above historic norms and continued to make a positive contribution to the monthly CFNAI. The sales, inventories, and orders category accounted for +0.03 of the CFNAI in October, about the same as in the previous month.

Overall, 57 of the 85 individual indicators made positive contributions to the index in October. Forty-nine of the indicators improved from September to October, although seven of these made below-average contributions to the monthly index. The CFNAI was constructed using data available as of November 19, 2004. At that time, October data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

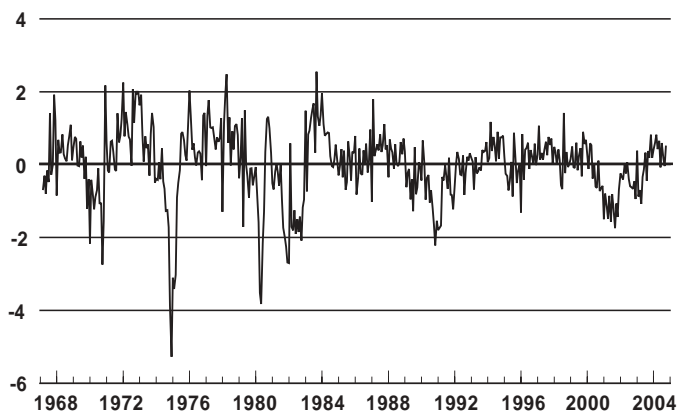
CFNAI-MA3 and Inflation Cycles



CFNAI-MA3 and Business Cycles



CFNAI, Monthly Index



2004–2005 CFNAI Release Dates

<i>Date of Release</i>	<i>Monthly Data for:</i>
<i>December 21, 2004</i>	<i>November 2004</i>
<i>January 26, 2005</i>	<i>December 2004</i>
<i>February 24, 2005</i>	<i>January 2005</i>
<i>March 23, 2005</i>	<i>February 2005</i>
<i>April 21, 2005</i>	<i>March 2005</i>
<i>May 19, 2005</i>	<i>April 2005</i>
<i>June 22, 2005</i>	<i>May 2005</i>
<i>July 21, 2005</i>	<i>June 2005</i>
<i>August 18, 2005</i>	<i>July 2005</i>
<i>September 22, 2005</i>	<i>August 2005</i>
<i>October 26, 2005</i>	<i>September 2005</i>
<i>November 22, 2005</i>	<i>October 2005</i>
<i>December 22, 2005</i>	<i>November 2005</i>

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

September's CFNAI was revised down slightly from its initial estimate of -0.01 to -0.04. 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 due to differences between the 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.