

News Release

Embargoed for release:
10:00 am Eastern Time
9:00 am Central Time
February 24, 2005

Contact:
Debbie Baratz
Media Relations
312-322-2387

Federal Reserve Bank of Chicago
230 South LaSalle Street
Chicago, IL 60604

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:
March 23, 2005
10:00 am Eastern Time
9:00 am Central Time

FEDERAL RESERVE BANK
OF CHICAGO

Chicago Fed National Activity Index

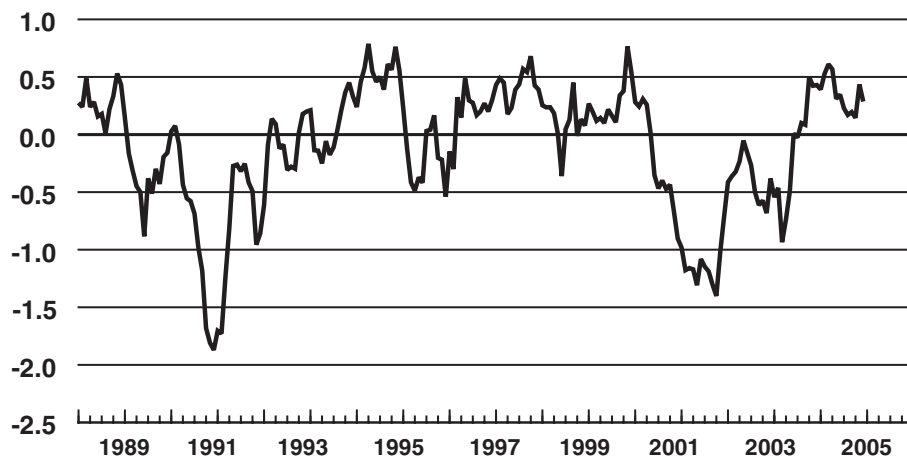
CFNAI shows continued above-trend economic growth in January

The Chicago Fed National Activity Index was +0.21 in January, down from +0.59 in December. However, all four broad categories of indicators that comprise the index made positive contributions to the January CFNAI. The three-month moving average, CFNAI-MA3, decreased to +0.29 in January from +0.43 in December. CFNAI-MA3 readings above zero are associated with above-trend economic growth; accordingly, the CFNAI-MA3 value of +0.29 in January suggests that growth in national economic activity was above its historical trend for the seventeenth straight month. With regard to inflation, CFNAI-MA3 values above zero suggest increased inflationary pressures over the coming year.

Most of the decline in the monthly CFNAI was due to a smaller contribution by production-related indicators, from +0.36 in December to +0.01 in January. Total industrial production (IP) was unchanged in January, following a 0.7 percent increase in December; because it increases on average, this means that total IP made a negative contribution to the CFNAI last month. This was nearly offset by the positive contribution from manufacturing output, which rose 0.4 percent for the second consecutive month. Manufacturing capacity utilization increased to 78.0 percent, its highest level since December 2000, and also contributed positively to the January CFNAI.

The consumption and housing-related data category made the largest contribution to the January CFNAI, +0.10. Notably, housing starts increased 4.7 percent in January to a 21-year high, and residential building permits rose 1.7 percent. Accordingly, both measures made positive contributions to the CFNAI in January, remaining well above historical norms. For

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



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

	Jan '05	Dec '04	Nov '04	Oct '04	Sep '04	Aug '04	Jan '04
CFNAI							
Current	+0.21	+0.59	+0.06	+0.65	-0.28	+0.21	+0.22
Previous	N/A	+0.39	+0.05	+0.54	-0.27	+0.19	+0.28
CFNAI-MA3							
Current	+0.29	+0.43	+0.15	+0.20	+0.17	+0.23	+0.43
Previous	N/A	+0.33	+0.11	+0.15	+0.16	+0.22	+0.43

Current and Previous values reflect index values as of the February 24, 2005, release and January 26, 2005, release, respectively. N/A indicates not applicable.

the fourth consecutive month, the sales, orders, and inventories category also made a positive contribution (+0.02) to the CFNAI.

The contribution by the employment-related category of indicators swung from -0.01 in December to +0.07 in January. January's nonfarm payroll employment gain of 146,000 was below the historical average, resulting in a negative contribution to the CFNAI. In contrast, the employment component of the Institute for Supply Management's Purchasing Managers Index for manufacturing rose from 53.3 in December to 58.1 in January. In addition, average weekly hours for manufacturing and overtime hours for manufacturing increased in January. This resulted in positive contributions to the CFNAI by all three measures.

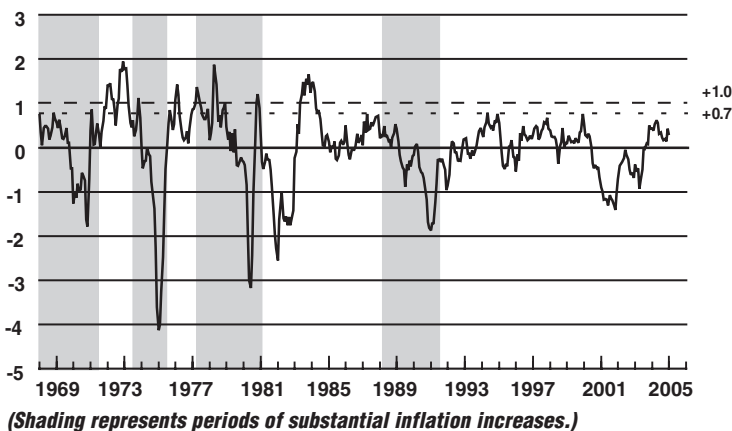
Thirty-six of the 85 individual indicators made positive contributions to the index in January, while 48 made negative contributions. Additionally, thirty-six indicators improved from December to January, although ten of these made below-average contributions to the monthly index. The CFNAI was constructed using data available as of February 17, 2005. At that time, January data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

December's CFNAI was revised up from its initial estimate of +0.39 to +0.59. 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 upward revision to December's CFNAI was primarily due to differences between the estimates of previously unavailable data and subsequently published data.

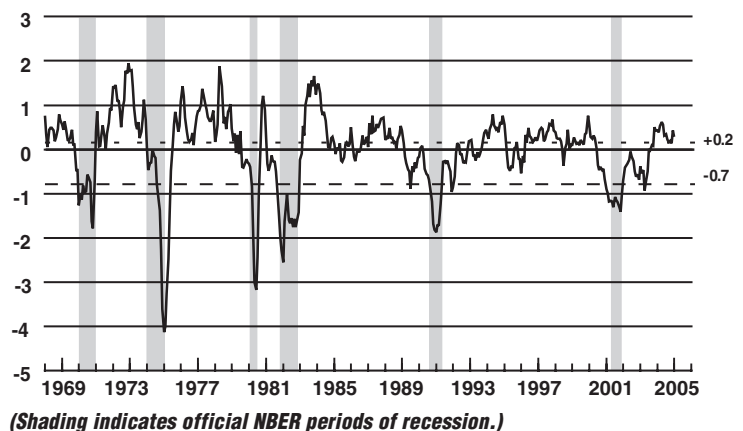
Interpreting the CFNAI-MA3

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.

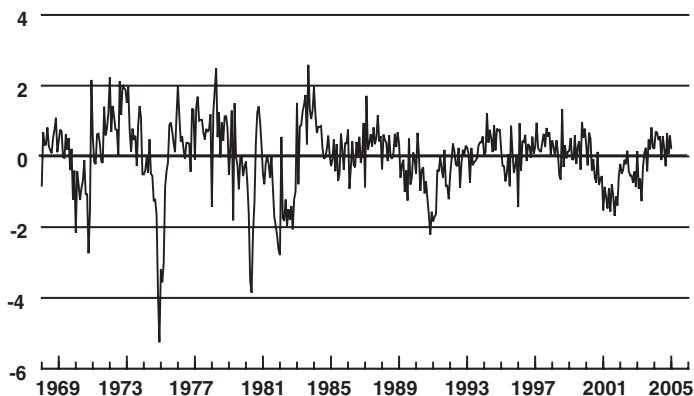
CFNAI-MA3 and Inflation Cycles



CFNAI-MA3 and Business Cycles



CFNAI, Monthly Index



2005 CFNAI Release Dates

Date of Release	Monthly Data for:
March 23, 2005	February 2005
April 21, 2005	March 2005
May 19, 2005	April 2005
June 22, 2005	May 2005
July 21, 2005	June 2005
August 18, 2005	July 2005
September 22, 2005	August 2005
October 26, 2005	September 2005
November 22, 2005	October 2005
December 22, 2005	November 2005

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