

## News Release

Embargoed for release:  
10:00 am Eastern Time  
9:00 am Central Time  
May 19, 2005

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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 22, 2005  
10:00 am Eastern Time  
9:00 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed National Activity Index

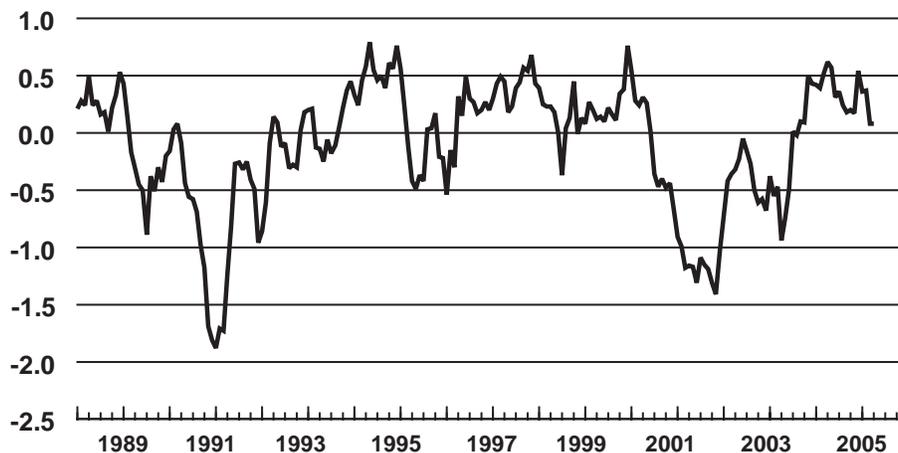
## CFNAI shows economic growth near trend in April

The Chicago Fed National Activity Index was +0.10 in April, up from -0.04 in March. Two of the four broad categories of indicators that comprise the index—employment and consumption and housing—made positive contributions (see sidebar). The three-month moving average, CFNAI-MA3, remained at +0.08 in April. CFNAI-MA3 readings above zero are associated with above-trend economic growth; accordingly, the CFNAI-MA3 value of +0.08 in April suggests that growth in national economic activity was above its historical trend for the twentieth straight month. With regard to inflation, CFNAI-MA3 values above zero suggest increased inflationary pressures over the coming year.

The increase in the CFNAI largely reflected a swing in the contribution of employment-related indicators, from -0.04 in March to +0.16 in April. Notably, the nonfarm payroll employment gain of 274,000 in April was above the historical average and much higher than the increase of 146,000 jobs in March, resulting in a positive contribution to the April CFNAI.

The consumption and housing-related data category also made a positive contribution (+0.12) to the CFNAI. Housing starts climbed 11.0 percent in April after declining 17.6 percent in March, and residential building permits rebounded. Both measures of residential construction activity have remained well above historical norms for some time. As a result, last month's gains in these indicators resulted in an even greater positive contribution to the CFNAI than in March.

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 '05	Mar '05	Feb '05	Jan '05	Dec '04	Nov '04	Apr '04
<b>CFNAI</b>							
Current	+0.10	-0.04	+0.16	+0.11	+0.83	+0.13	+0.47
Previous	N/A	+0.11	+0.22	+0.19	+0.83	+0.12	+0.46
<b>CFNAI-MA3</b>							
Current	+0.08	+0.08	+0.37	+0.36	+0.54	+0.17	+0.62
Previous	N/A	+0.17	+0.42	+0.38	+0.54	+0.17	+0.62

Current and Previous values reflect index values as of the May 19, 2005, release and April 21, 2005, release, respectively. N/A indicates not applicable.

For the second straight month, production-related indicators made a negative contribution (-0.15) to the CFNAI. Total industrial production declined 0.2 percent in April following a 0.1 percent increase in March, while manufacturing output was unchanged after declining 0.3 percent in March. The sales, inventories, and orders category also made a negative contribution (-0.02) to the CFNAI in April.

Forty-eight of the 85 individual indicators made positive contributions to the index in April, while 36 made negative contributions. Fifty indicators improved from March to April, although 13 of these made below-average contributions to the index. The CFNAI was constructed using data available as of May 17, 2005. At that time, April data for 49 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

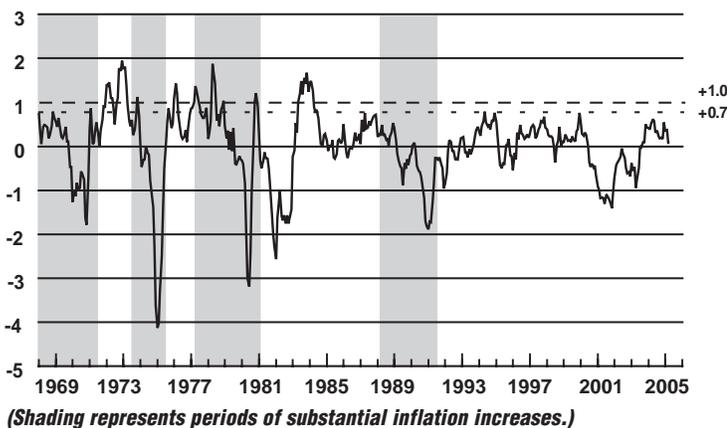
March's CFNAI was revised down from its initial estimate of +0.11 to -0.04. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and

subsequently published data. The downward revision to March's CFNAI was primarily due to differences between the estimates of previously unavailable data and subsequently published data.

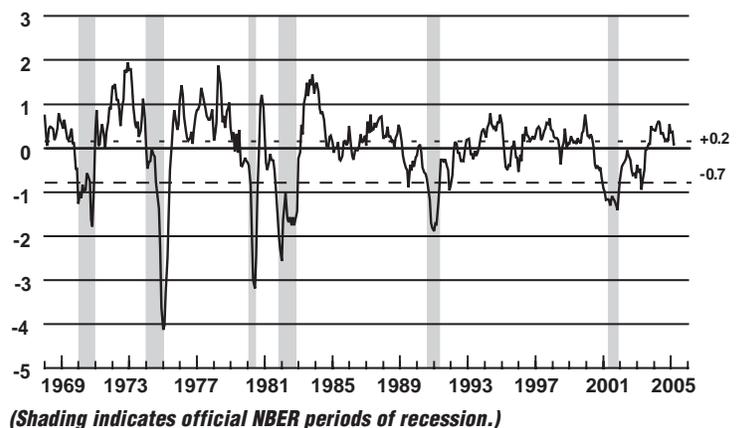
### Interpreting the CFNAI-MA3

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.

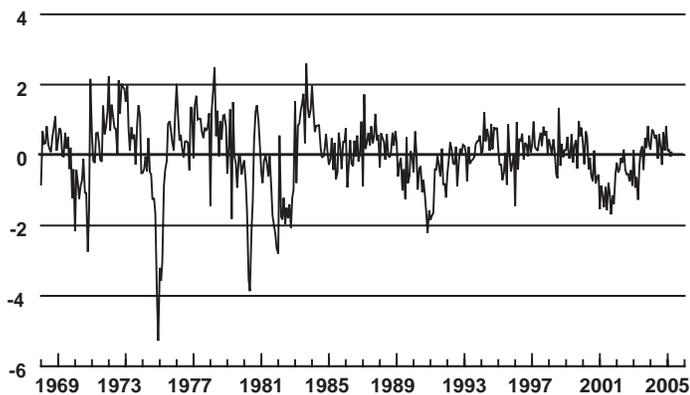
### CFNAI-MA3 and Inflation Cycles



### CFNAI-MA3 and Business Cycles



### CFNAI, Monthly Index



### 2005 CFNAI Release Dates

Date of Release	Monthly Data for:
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>.