

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 are included in 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:
November 22, 2005
10:00 am Eastern Time
9:00 am Central Time

FEDERAL RESERVE BANK
OF CHICAGO

Chicago Fed National Activity Index

CFNAI indicates economic growth below trend in September

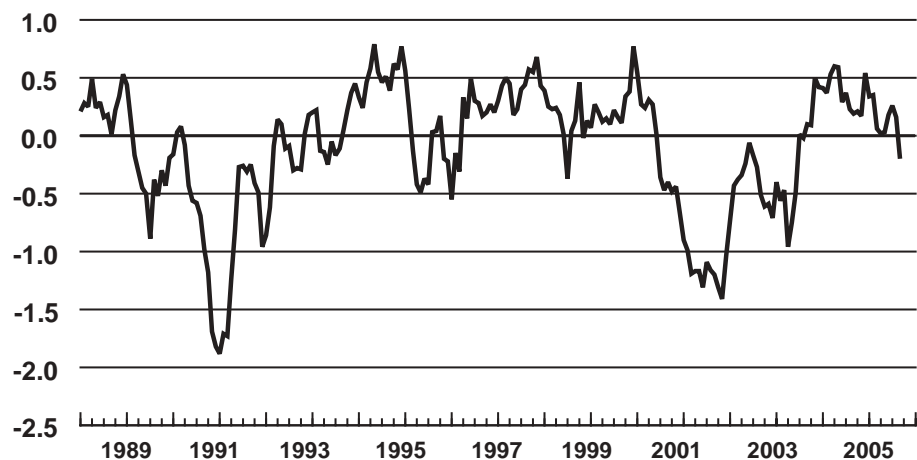
The Chicago Fed National Activity Index was -0.71 in September, down from -0.09 in August. Two of the four broad categories of indicators that make up the index—production and employment—made negative contributions (see sidebar). The three-month moving average, CFNAI-MA3, was -0.20 in September. A CFNAI-MA3 reading of zero is associated with trend economic growth; accordingly, the CFNAI-MA3 value of -0.20 in September suggests that growth in national economic activity was below its historical trend. With regard to inflation, a CFNAI-MA3 value of zero indicates neutral inflationary pressures over the coming year.

Production-related indicators continued to make a negative contribution to the CFNAI, falling from -0.05 in August to -0.56 in September. Total industrial production (IP) declined 1.3 percent in September after rising 0.2 percent in August, while total industrial capacity utilization decreased from 79.8 percent in August to 78.6 percent in September.

Employment-related indicators also made a negative contribution to the CFNAI, decreasing from -0.15 in August to -0.34 in September. Notably, nonfarm payroll employment fell 35,000 in September after gaining 211,000 in August. The unemployment rate rose from 4.9 percent in August to 5.1 percent in September.

The contribution from the consumption and housing indicators rose from -0.02 in August to $+0.16$ in September. Housing starts rose 3.4 percent in September after falling 1.2 percent in August, and residential building permits rose 2.4 percent after falling 1.5 percent in the

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



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

	Sep '05	Aug '05	Jul '05	Jun '05	May '05	Apr '05	Sep '04
CFNAI							
Current	-0.71	-0.09	+0.19	+0.39	+0.20	-0.03	-0.29
Previous	N/A	+0.10	+0.28	+0.39	+0.19	-0.01	-0.29
CFNAI-MA3							
Current	-0.20	+0.16	+0.26	+0.18	+0.03	+0.02	+0.19
Previous	N/A	+0.26	+0.29	+0.19	+0.03	+0.02	+0.19

Current and Previous values reflect index values as of the October 26, 2005, release and September 22, 2005, release, respectively. N/A indicates not applicable.

previous month. Both measures remain above historical norms and, as a result, made positive contributions to the CFNAI. The sales, orders, and inventories category made a positive contribution of +0.03 to the September CFNAI.

The CFNAI reflects the effects of Hurricane Katrina to the extent that the storm influenced the available source data. For example, hurricane-related disruptions were estimated to have reduced the rate of change in IP by about 1.7 percentage points in September and 0.4 percentage point in August. No official estimates of the storm's effects are available for other source data.

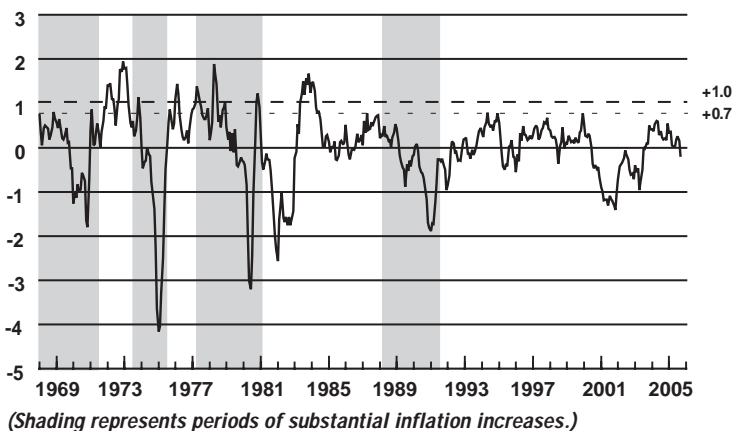
Thirty-six of the 85 individual indicators made positive contributions to the index in September, while 48 made negative contributions and one was neutral. Thirty-four indicators improved from August to September, although seven of these made below-average contributions to the index. The CFNAI was constructed using data available as of October 24, 2005. At that time, September data for 50 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

August's CFNAI initial estimate of +0.10 was revised down to -0.09. 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 August's CFNAI was primarily due to differences between estimates of previously unavailable data and subsequently published data.

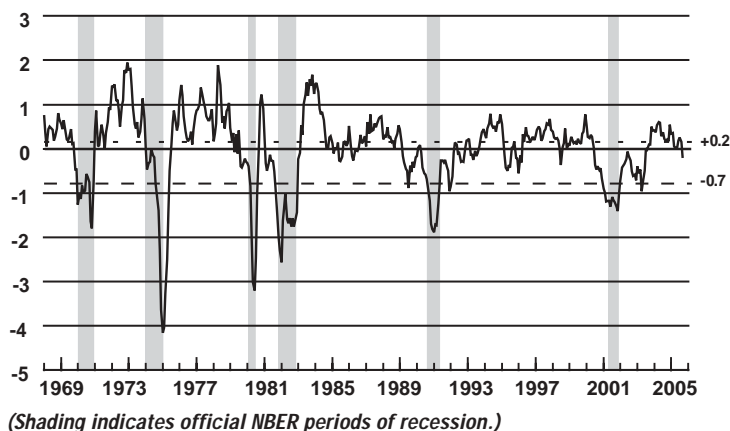
Interpreting the CFNAI-MA3

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.

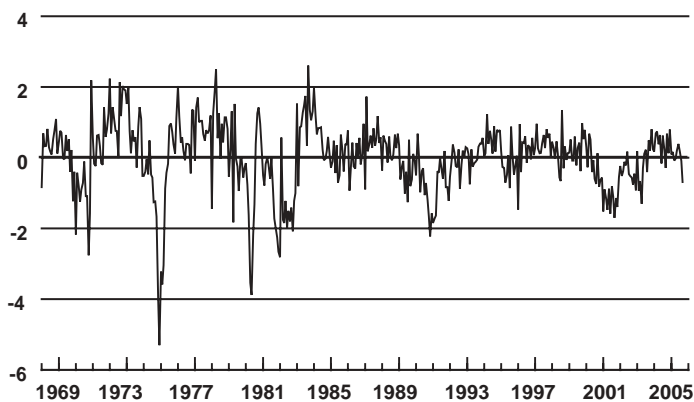
CFNAI-MA3 and Inflation Cycles



CFNAI-MA3 and Business Cycles



CFNAI, Monthly Index



2005 CFNAI Release Dates

Date of Release	Monthly Data for:
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>.