

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:
June 22, 2006
10:00 am Eastern Time
9:00 am Central Time

FEDERAL RESERVE BANK
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Chicago Fed National Activity Index

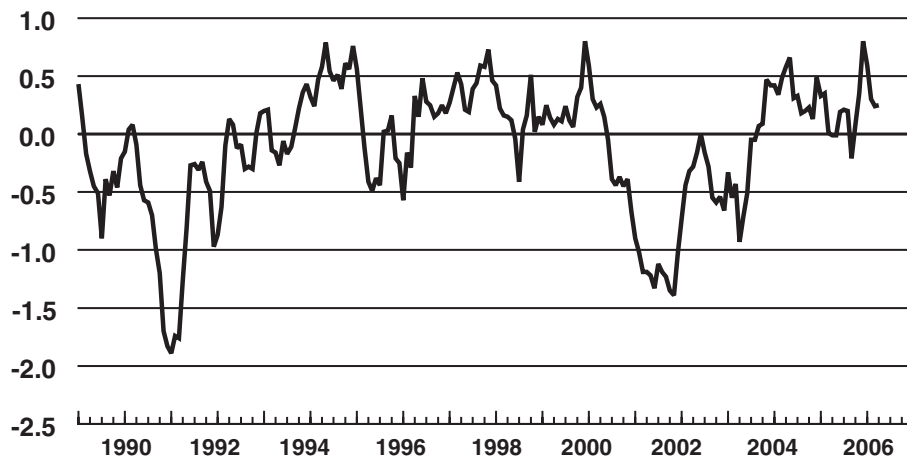
CFNAI shows economic growth above trend again in April

The Chicago Fed National Activity Index was +0.38 in April, up slightly from +0.35 in March. Three of the four broad categories of indicators in the index made positive contributions (see sidebar). The three-month moving average, CFNAI-MA3, was +0.25 in April. A CFNAI-MA3 reading above zero is associated with above-trend economic growth; accordingly, the CFNAI-MA3 value of +0.25 in April suggests that growth in national economic activity was above its historical trend. With regard to inflation, a CFNAI-MA3 value above zero indicates the potential for inflationary pressures over the coming year.

Production-related indicators made a positive contribution of +0.29 to the CFNAI in April after adding +0.19 in March. Total industrial production rose 0.8 percent in April after rising 0.6 percent in the previous month. Manufacturing capacity utilization rose from 80.4 percent in March to 80.8 percent in April.

The contribution from the consumption and housing indicators was unchanged at +0.08 in April. Housing starts decreased 7.4 percent in April, and residential building permits fell 5.4 percent. However, both measures remained above historical norms and, as a result, continued to make positive contributions to the CFNAI. The sales, orders, and inventories category made a small contribution of +0.01 to the April CFNAI.

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 '06	Mar '06	Feb '06	Jan '06	Dec '05	Nov '05	Apr '05
CFNAI							
Current	+0.38	+0.35	+0.01	+0.37	+0.52	+0.89	+0.06
Previous	N/A	+0.37	+0.19	+0.32	+0.52	+0.89	+0.05
CFNAI-MA3							
Current	+0.25	+0.24	+0.30	+0.59	+0.80	+0.35	-0.01
Previous	N/A	+0.29	+0.34	+0.57	+0.80	+0.34	-0.02

Current and Previous values reflect index values as of the May 18, 2006, release and April 20, 2006, release, respectively. N/A indicates not applicable.

Employment-related indicators made a small negative contribution of -0.01 to the CFNAI in April after contributing $+0.05$ to the index in March. Nonfarm payroll employment increased 138,000 in April, which was down from the 200,000 gain in March. The unemployment rate held steady at 4.7 percent from March to April.

Fifty-one of the 85 individual indicators made positive contributions to the index in April, while 33 made negative contributions and one was neutral. Forty-four indicators improved from March to April, although eight of these made below-average contributions to the index. The CFNAI was constructed using data available as of May 16, 2006. 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.

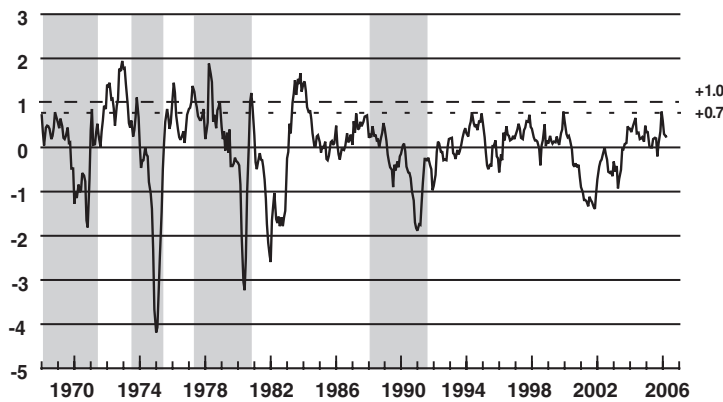
March's CFNAI initial estimate of $+0.37$ was revised down to $+0.35$. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences

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

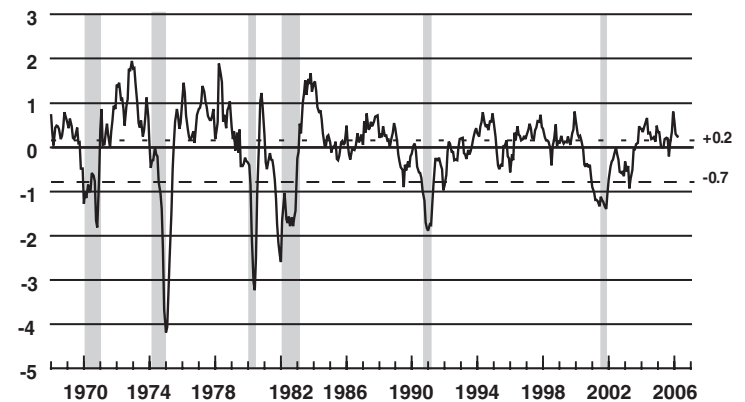
If CFNAI-MA3 $> +1.00$ more than two years into an economic expansion...	Substantial likelihood that a period of sustained accelerating inflation has begun.
If CFNAI-MA3 $> +0.70$ more than two years into an economic expansion...	Increasing likelihood that a period of sustained accelerating inflation 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



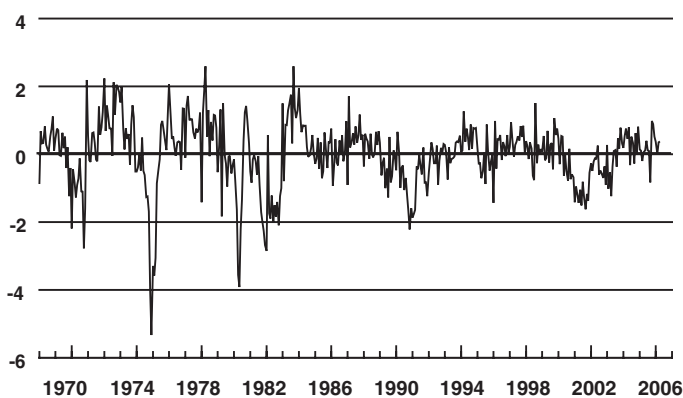
(Shading represents periods of substantial inflation increases.)

CFNAI-MA3 and Business Cycles



(Shading indicates official NBER periods of recession.)

CFNAI, Monthly Index



2006 CFNAI Release Dates

Date of Release	Monthly Data for:
June 22, 2006	May 2006
July 26, 2006	June 2006
August 23, 2006	July 2006
September 21, 2006	August 2006
October 25, 2006	September 2006
November 21, 2006	October 2006
December 21, 2006	November 2006

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