

## News Release

Embargoed for release:  
8:30 am Eastern Time  
7:30 am Central Time  
June 29, 2009

Contact:  
Laura LaBarbera  
Media Relations  
Federal Reserve Bank of Chicago  
312-322-2387

### What is the National Activity Index?

The index is a weighted average of 85 indicators of national economic activity. The indicators 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.

A zero value for the index indicates that the national economy is expanding at its historical trend rate of growth; negative values indicate below-average growth; and positive values indicate above-average growth.

### Why are there two index values?

Each month, we provide a monthly index number, which reflects economic activity in the latest month for which we have data, and a three-month moving average. Month-to-month movements can be volatile, so the index's three-month moving average, the CFNAI-MA3, provides a more consistent picture of national economic growth.

### What do the numbers mean?

When the CFNAI-MA3 value moves below  $-0.70$  following a period of economic expansion, there is an increasing likelihood that a recession has begun.

When the CFNAI-MA3 value moves above  $+0.70$  more than two years into an economic expansion, there is an increasing likelihood that a period of sustained increasing inflation has begun.

The next CFNAI will be released:  
July 21, 2009  
8:30 am Eastern Time  
7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed *National Activity Index*

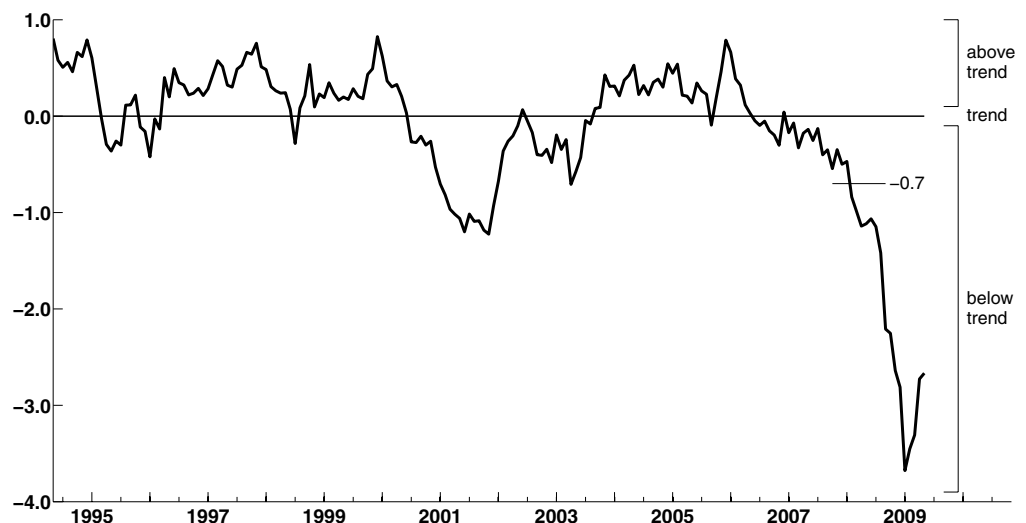
## Index shows economic activity still weak in May

*The Chicago Fed National Activity Index was  $-2.30$  in May, little changed from  $-2.27$  in April. All four broad categories of indicators made negative contributions to the index in May.*

The three-month moving average, CFNAI-MA3, was  $-2.67$  in May, up slightly from  $-2.73$  in the previous month. May's CFNAI-MA3 suggests that growth in national economic activity was well below its historical trend. With regard to inflation, the amount of economic slack reflected in the CFNAI-MA3 indicates low inflationary pressure from economic activity over the coming year.

The small decrease in the index in May was primarily due to the production and income category of indicators. This category made a larger negative contribution to the index in May,  $-0.65$ , compared with its contribution in April,  $-0.47$ . Total industrial production declined 1.1 percent in May after decreasing 0.7 percent in April. In addition, manufacturing capacity utilization moved down to 65.0 percent in May from 65.6 percent in the previous month.

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



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

	May '09	Apr '09	Mar '09	Feb '09	Jan '09	Dec '08	May '08
<b>CFNAI</b>							
Current	-2.30	-2.27	-3.42	-2.48	-4.02	-3.85	-1.18
Previous	N/A	-2.06	-3.36	-2.53	-3.99	-3.85	-1.19
<b>CFNAI-MA3</b>							
Current	-2.67	-2.73	-3.31	-3.45	-3.68	-2.81	-1.12
Previous	N/A	-2.65	-3.29	-3.46	-3.68	-2.82	-1.12

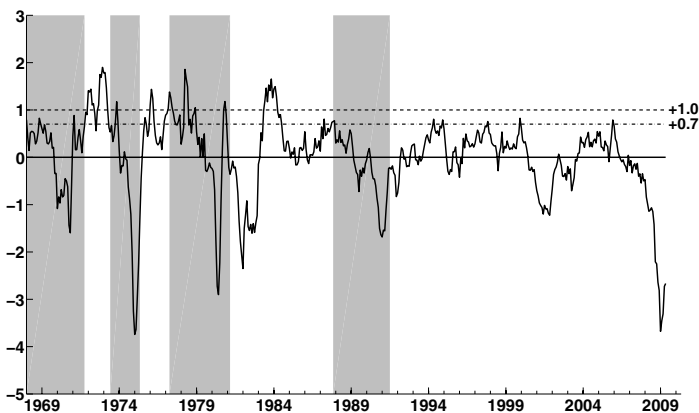
Current and Previous values reflect index values as of the June 29, 2009, release and May 26, 2009, release, respectively. N/A indicates not applicable.

Employment-related indicators made the largest negative contribution to the index in May, at  $-0.99$ , down slightly from  $-0.94$  in the previous month. Total nonfarm payroll employment decreased by 345,000 in May after declining 504,000 in April. However, the unemployment rate increased to 9.4 percent in May from 8.9 percent in the previous month.

The consumption and housing category made a contribution of  $-0.56$  to the index in May, following a contribution of  $-0.66$  in April. Housing starts increased to 532,000 annualized units in May from 454,000 in the previous month. Furthermore, real personal consumption expenditures on durable goods increased 0.9 percent in May after declining 1.4 percent in April.

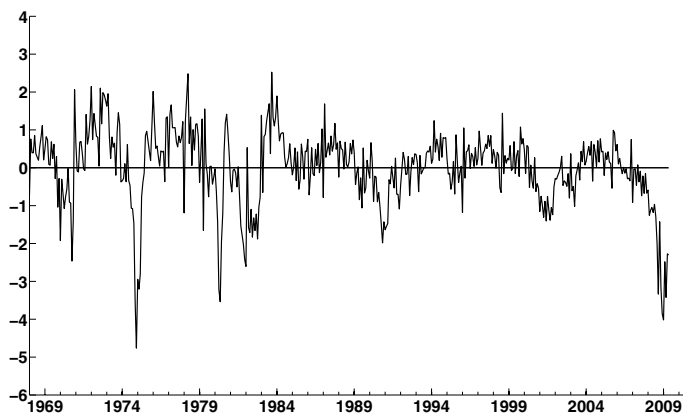
The sales, orders, and inventories category made a contribution of  $-0.11$  to the index in May after contributing  $-0.21$  in April. The Institute for Supply Management's Manufacturing Purchasing Managers' New Orders Index increased to 51.1 in May from 47.2 in April, rising above 50 for the first time since November 2007.

### CFNAI-MA3 and Inflation Cycles



Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above  $+0.70$  more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above  $+1.00$  more than two years into an economic expansion indicates a substantial likelihood that a period of sustained increasing inflation has begun.

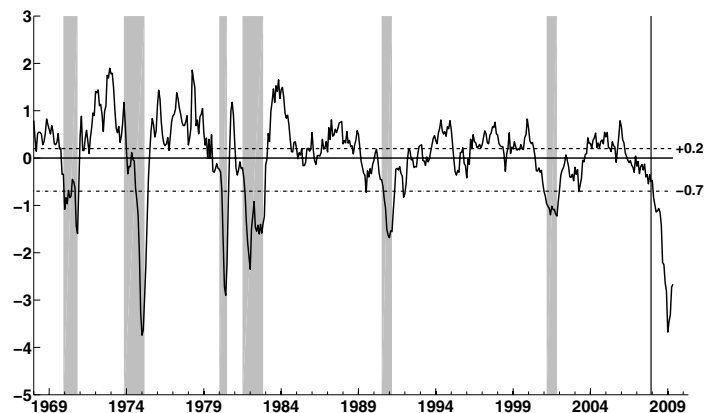
### CFNAI, Monthly Index



Fifteen of the 85 individual indicators made positive contributions to the index in May, while 70 made negative contributions. Forty-five indicators improved from April to May, while 40 indicators deteriorated. Of the improved indicators, 33 made negative contributions. The index was constructed using data available as of June 26, 2009. At that time, May data for 62 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

The April monthly index was revised to  $-2.27$  from an initial estimate of  $-2.06$ . 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 the April monthly index was due nearly equally to each factor.

### CFNAI-MA3 and Business Cycles



Notes: Shading indicates official periods of recession as identified by the National Bureau of Economic Research; the vertical line indicates the most recent business cycle peak. A CFNAI-MA3 value below  $-0.70$  following a period of economic expansion indicates an increasing likelihood that a recession has begun. A CFNAI-MA3 value above  $+0.20$  following a period of economic contraction indicates a significant likelihood that a recession has ended.

### 2009 CFNAI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
<i>July 21, 2009</i>	<i>June 2009</i>
<i>August 24, 2009</i>	<i>July 2009</i>
<i>September 28, 2009</i>	<i>August 2009</i>
<i>October 26, 2009</i>	<i>September 2009</i>
<i>November 23, 2009</i>	<i>October 2009</i>
<i>December 21, 2009</i>	<i>November 2009</i>