

## News Release

Embargoed for release:

8:30 am Eastern Time

7:30 am Central Time

March 23, 2009

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### 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:

April 20, 2009

8:30 am Eastern Time

7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed *National Activity Index*

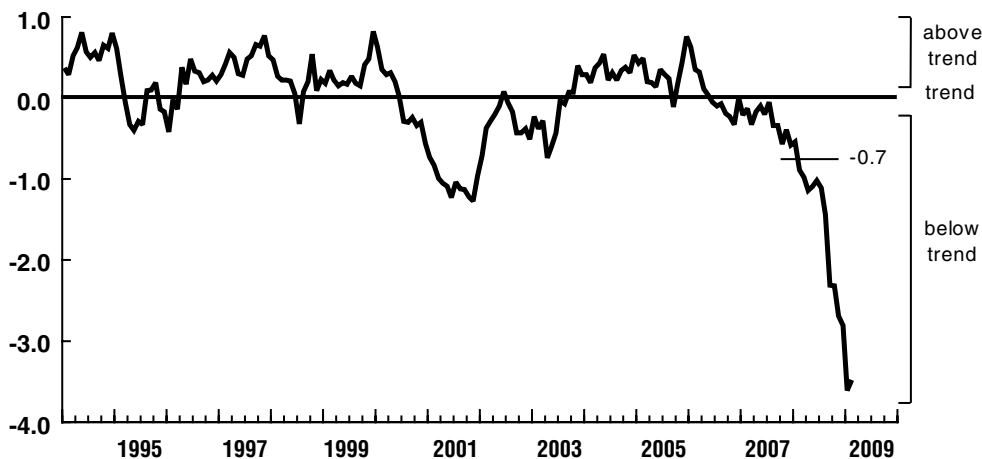
## Index shows weak but improved economic activity in February

The Chicago Fed National Activity Index was  $-2.83$  in February, up from  $-3.74$  in January. Three of the four broad categories of indicators—employment, production, and consumption and housing—improved from January. However, all four categories continued to make negative contributions to the index in February.

The three-month moving average, CFNAI-MA3, increased to  $-3.48$  in February from  $-3.61$  in the previous month. February's CFNAI-MA3 suggests that growth in national economic activity was well below its historical trend. With regard to inflation, it indicates little inflationary pressure from economic activity over the coming year.

Employment-related indicators made a large negative contribution of  $-1.29$  to the index in February after contributing  $-1.51$  in the previous month. Total nonfarm payroll employment decreased by 651,000 in February after declining 655,000 in January; and the unemployment rate rose to 8.1 percent in February from 7.6 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

	Feb '09	Jan '09	Dec '08	Nov '08	Oct '08	Sep '08	Feb '08
<b>CFNAI</b>							
Current	-2.83	-3.74	-3.87	-3.23	-1.34	-3.49	-1.31
Previous	N/A	-3.45	-3.65	-3.13	-1.34	-3.56	-1.34
<b>CFNAI-MA3</b>							
Current	-3.48	-3.61	-2.81	-2.69	-2.32	-2.31	-0.89
Previous	N/A	-3.41	-2.70	-2.68	-2.35	-2.35	-0.91

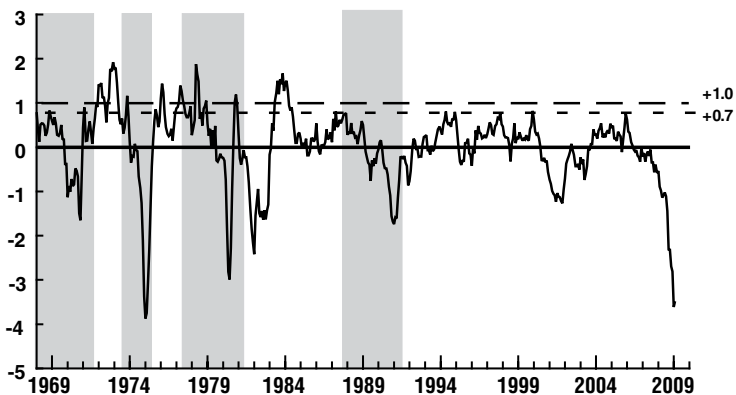
Current and Previous values reflect index values as of the March 23, 2009, release and February 23, 2009, release, respectively. N/A indicates not applicable.

The production and income category made a contribution of  $-0.79$  to the index in February after contributing  $-1.40$  in January. Total industrial production decreased 1.4 percent in February after declining 1.9 percent in the previous month. In addition, the Institute for Supply Management's Manufacturing Purchasing Managers' Production Index increased to 36.3 in February from 32.1 in January.

The consumption and housing category made a contribution of  $-0.55$  to the index in February, following a contribution of  $-0.61$  in January. Housing starts increased 22.2 percent in February after decreasing 14.5 percent in January; and building permits rose 3.0 percent in February after decreasing 2.9 percent in the previous month. The sales, orders, and inventories category made a contribution of  $-0.20$  in February.

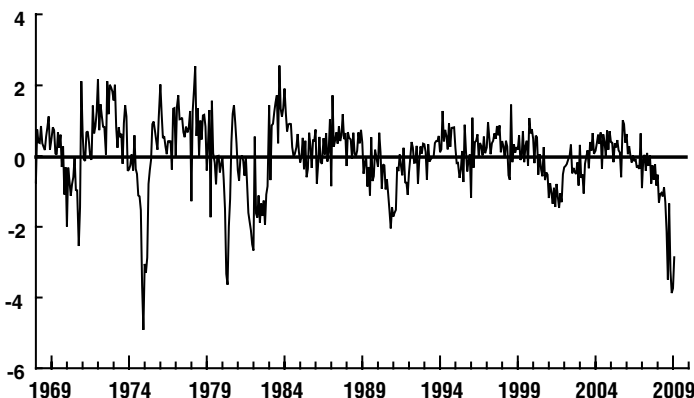
Twelve of the 85 individual indicators made positive contributions to the index in January, while 73 made negative contributions.

### 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.

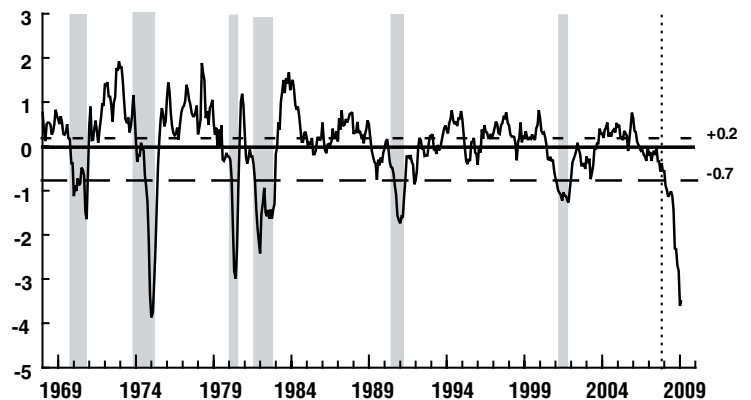
### CFNAI, Monthly Index



Forty-nine indicators improved from January to February, while 36 indicators deteriorated. Of the improved indicators, 38 made negative contributions. The index was constructed using data available as of March 19, 2009. At that time, February data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

The January monthly index was revised down to  $-3.74$  from an initial estimate of  $-3.45$ . 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 January monthly index was primarily due to revisions in previously published data.

### CFNAI-MA3 and Business Cycles



Notes: Shading indicates official periods of recession as identified by the National Bureau of Economic Research; the dashed 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>April 20, 2009</i>	<i>March 2009</i>
<i>May 26, 2009</i>	<i>April 2009</i>
<i>June 29, 2009</i>	<i>May 2009</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>