

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
January 28, 2010

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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:
February 22, 2010
8:30 am Eastern Time
7:30 am Central Time

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Chicago Fed *National Activity Index*

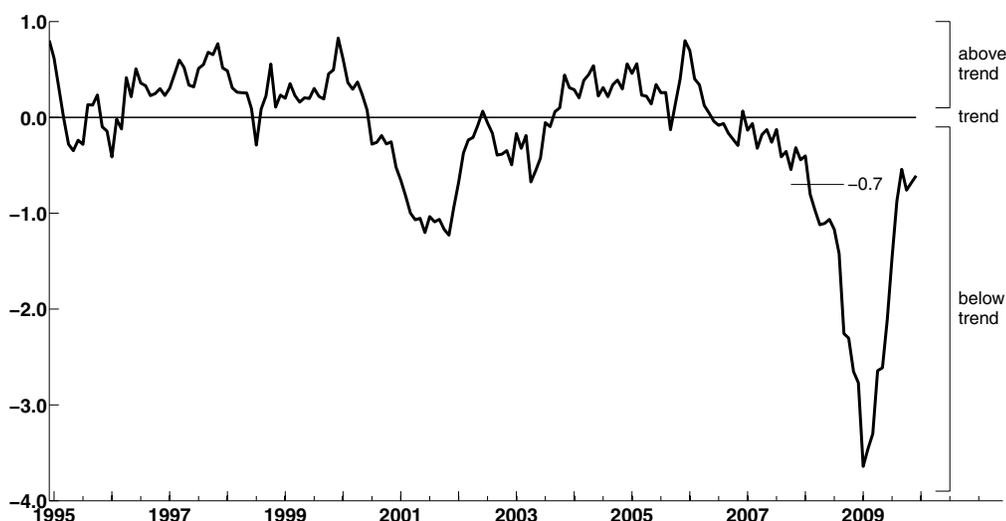
Index shows economic activity moved lower in December

Led by declines in employment-related indicators, the Chicago Fed National Activity Index decreased to -0.61 in December, down from -0.39 in November. Three of the four broad categories of indicators that make up the index moved lower, although both the production and income category and the sales, orders, and inventories category made positive contributions.

In contrast to the monthly index, the index's three-month moving average, CFNAI-MA3, increased slightly to -0.61 in December from -0.68 in November. December's CFNAI-MA3 suggests that growth in national economic activity was below its historical trend; but the level of activity remained in a range historically consistent with the early stages of a recovery following a recession. 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 decline in the monthly index was driven mainly by decreases in employment-related indicators. These indicators as a group made a contribution of -0.27 to the index in December, down from -0.11 in November. Payroll employment declined by 85,000 in December after increasing by 4,000 in November; however, the unemployment rate was unchanged at 10.0%.

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



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

	Dec '09	Nov '09	Oct '09	Sep '09	Aug '09	Jul '09	Dec '08
CFNAI							
Current	-0.61	-0.39	-0.83	-0.83	-0.62	-0.17	-3.80
Previous	N/A	-0.32	-1.02	-0.95	-0.63	-0.26	-3.77
CFNAI-MA3							
Current	-0.61	-0.68	-0.76	-0.54	-0.87	-1.47	-2.77
Previous	N/A	-0.77	-0.87	-0.61	-0.90	-1.50	-2.74

Current and Previous values reflect index values as of the January 28, 2010, release and December 21, 2009, release, respectively. N/A indicates not applicable.

Most of the weakness in the index continued to stem from the consumption and housing category. This category's contribution to the index was -0.50 in December, down slightly from -0.46 in November. Housing starts declined to 557,000 annualized units in December from 580,000 in November. Partially offsetting this was an increase in building permits to 653,000 annualized units in December from 589,000 in the previous month.

Production-related indicators made a positive contribution to the index for the sixth consecutive month. As a group, they contributed $+0.13$ to the index in December, compared with $+0.25$ in November. Manufacturing industrial production was unchanged in December after increasing 0.9 percent in November; but total industrial production increased 0.6 percent for the second consecutive month.

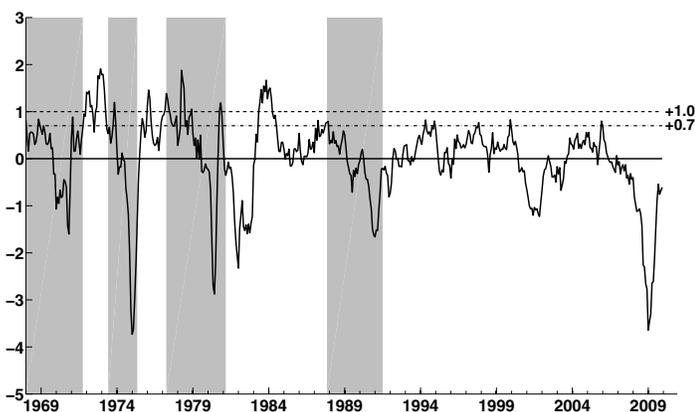
The sales, orders, and inventories category also made a positive contribution, for the fourth time in the past six months. This category contributed $+0.03$ in December, up from -0.07 in November. The Institute for Supply Management's Manufacturing Purchasing

Managers' New Orders Index increased to 65.5 in December from 60.3 in November, reaching its highest level in five years.

Thirty-six of the 85 individual indicators made positive contributions to the index in December, while 48 made negative contributions. Forty-four indicators improved from November to December, while 41 indicators deteriorated. Of the indicators that improved, 16 made negative contributions. The index was constructed using data available as of January 21, 2010. At that time, December data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

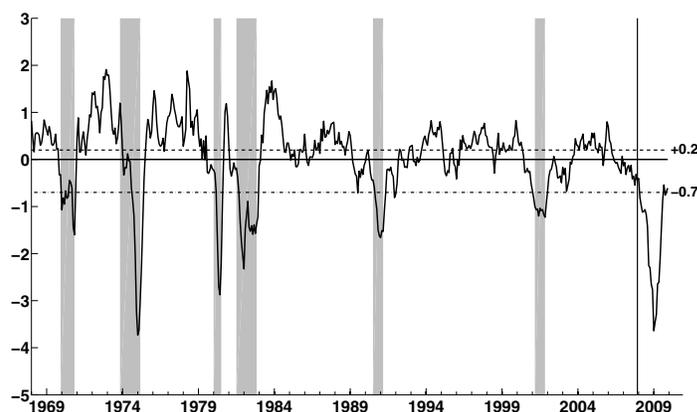
The November monthly index was revised to -0.39 from an initial estimate of -0.32 . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The slight downward revision to the November monthly index was due primarily to revisions in previously published data.

CFNAI-MA3 and Inflation Cycles



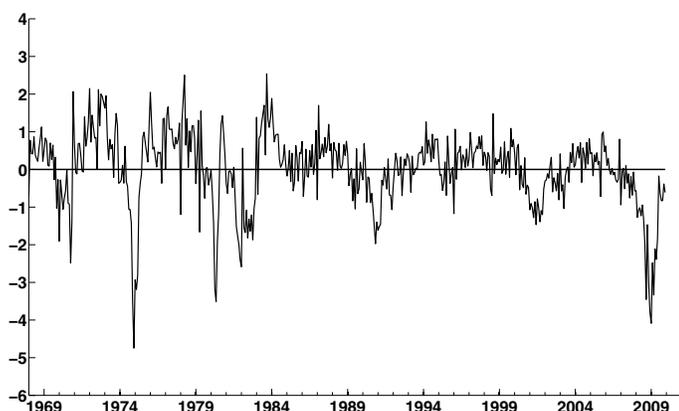
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above $+0.70$ more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above $+1.00$ more than two years into an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

CFNAI-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.

CFNAI, Monthly Index



2010 CFNAI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
<i>February 22, 2010</i>	<i>January 2010</i>
<i>March 22, 2010</i>	<i>February 2010</i>
<i>April 29, 2010</i>	<i>March 2010</i>
<i>May 24, 2010</i>	<i>April 2010</i>
<i>June 28, 2010</i>	<i>May 2010</i>
<i>July 26, 2010</i>	<i>June 2010</i>
<i>August 23, 2010</i>	<i>July 2010</i>
<i>September 27, 2010</i>	<i>August 2010</i>
<i>October 25, 2010</i>	<i>September 2010</i>
<i>November 22, 2010</i>	<i>October 2010</i>
<i>December 20, 2010</i>	<i>November 2010</i>