

## News Release

Embargoed for release:

8:30 am Eastern Time

7:30 am Central Time

March 26, 2012

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. Conversely, when the CFNAI-MA3 value moves above  $-0.70$  following a period of economic contraction, there is an increasing likelihood that a recession has ended.

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 26, 2012

8:30 am Eastern Time

7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed National Activity Index

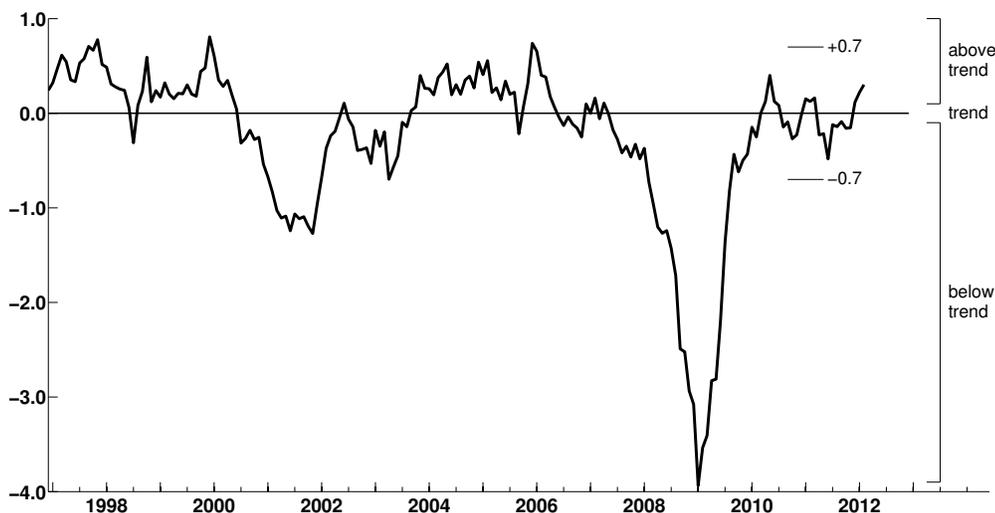
## Index shows economic growth near average in February

Led by weaker production-related indicators, the Chicago Fed National Activity Index decreased to  $-0.09$  in February from  $+0.33$  in January. Two of the four broad categories of indicators that make up the index deteriorated from January, but of these two, only the production and income category made a negative contribution to the index in February.

The index's three-month moving average, CFNAI-MA3, increased from  $+0.22$  in January to  $+0.30$  in February—its highest level since May 2010. February's CFNAI-MA3 suggests that growth in national economic activity was above its historical trend. The economic growth reflected in this level of the CFNAI-MA3 suggests limited inflationary pressure from economic activity over the coming year.

The contribution from production-related indicators to the index declined to  $-0.01$  in February from  $+0.30$  in January. Total industrial production was unchanged in February after rising 0.4 percent in January; and manufacturing production rose by 0.3 percent in February, following a much larger increase of 1.1 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 '12	Jan '12	Dec '11	Nov '11	Oct '11	Sep '11	Feb '11
<b>CFNAI</b>							
Current	-0.09	+0.33	+0.66	-0.33	+0.02	-0.15	-0.33
Previous	N/A	+0.22	+0.54	-0.34	-0.01	-0.18	-0.28
<b>CFNAI-MA3</b>							
Current	+0.30	+0.22	+0.12	-0.15	-0.16	-0.09	+0.12
Previous	N/A	+0.14	+0.06	-0.18	-0.17	-0.11	+0.13

Current and Previous values reflect index values as of the March 26, 2012, release and February 21, 2012, release, respectively. N/A indicates not applicable.

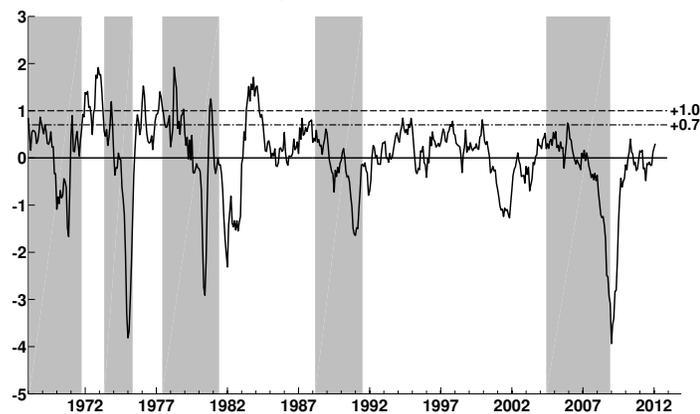
Employment-related indicators contributed +0.18 to the index in February, down from +0.36 in January. Total payroll employment increased by 227,000 in February after rising by 284,000 in the previous month, and the unemployment rate was steady at 8.3 percent. In contrast, average weekly initial claims for unemployment insurance reached a four-year low in February.

The contribution from the consumption and housing category to the index was -0.27 in February, up slightly from -0.29 in January. Housing permits increased to 717,000 annualized units in February from 682,000 in January, while housing starts edged down to 698,000 annualized units from 706,000 over the same period. The contribution from the sales, orders, and inventories category to the index also increased, ticking up to +0.01 in February from -0.03 in January.

Fifty-two of the 85 individual indicators made positive contributions to the index in February, while 33 made negative contributions. Thirty-five indicators improved from January to February, while 49 indicators deteriorated and one was unchanged. Of the indicators that improved, 12 made negative contributions. The index was constructed using data available as of March 22, 2012. At that time, February data for 51 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

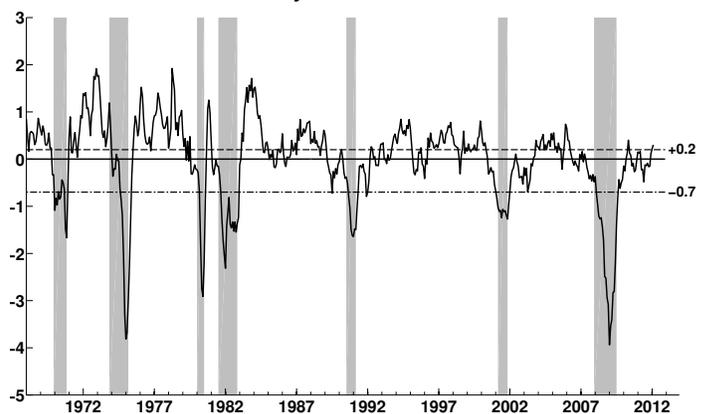
The January monthly index was revised to +0.33 from an initial estimate of +0.22. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The revision to the January monthly index was due primarily to the former.

### CFNAI-MA3 and Inflation Cycles



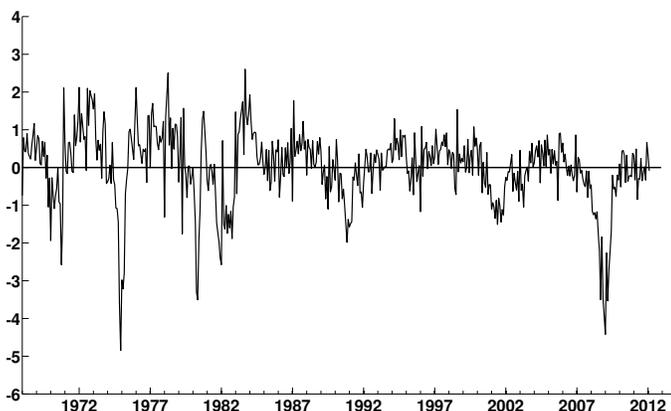
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above +0.70 more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above +1.00 more than two years into an economic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



### 2012 CFNAI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
<b>April 26, 2012</b>	<b>March 2012</b>
<b>May 21, 2012</b>	<b>April 2012</b>
<b>June 25, 2012</b>	<b>May 2012</b>
<b>July 23, 2012</b>	<b>June 2012</b>
<b>August 20, 2012</b>	<b>July 2012</b>
<b>September 24, 2012</b>	<b>August 2012</b>
<b>October 25, 2012</b>	<b>September 2012</b>
<b>November 26, 2012</b>	<b>October 2012</b>
<b>December 21, 2012</b>	<b>November 2012</b>