

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
December 22, 2008

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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:
January 26, 2009
8:30 am Eastern Time
7:30 am Central Time

FEDERAL RESERVE BANK
OF CHICAGO

Chicago Fed *National Activity Index*

Index shows further weakness in economic activity in November

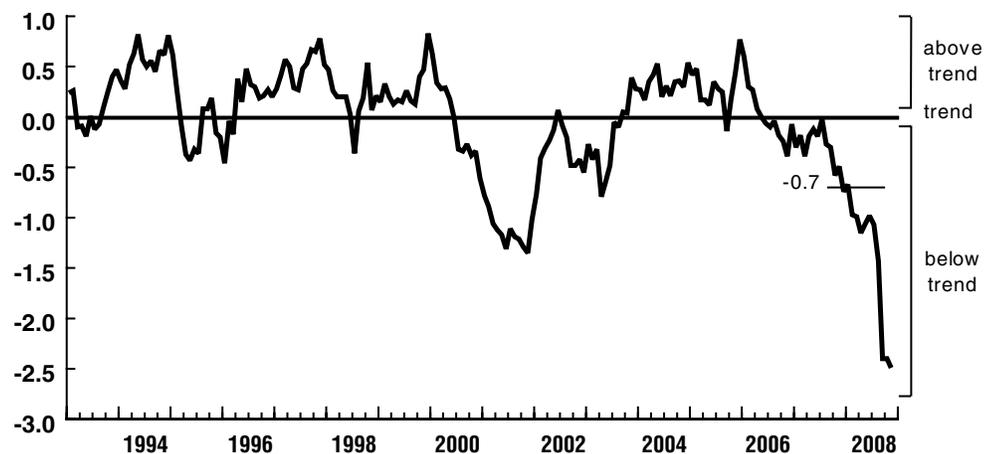
The Chicago Fed National Activity Index was -2.47 in November, down from -1.27 in October. All four broad categories of indicators made negative contributions to the index in November.

On December 1, 2008, the National Bureau of Economic Research determined that the U.S. economy had reached a business cycle peak in December 2007. The three-month moving average, CFNAI-MA3, first indicated an increasing likelihood that a recession had begun in December 2007, as initially reported in the March 24, 2008, CFNAI release.

The CFNAI-MA3 decreased slightly to -2.49 in November from -2.40 in the previous month. This negative value suggests that growth in national economic activity was well below its historical trend. With regard to inflation, November's three-month moving average indicates little inflationary pressure from economic activity over the coming year.

The decrease in the monthly index was driven primarily by employment-related indicators, which contributed -1.03 to the index in November after contributing -0.82 in October. Total nonfarm payroll employment declined by 533,000 in November after decreasing 320,000 in October; and private payrolls declined by 540,000 in November after decreasing 362,000 in October.

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



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

	Nov '08	Oct '08	Sep '08	Aug '08	Jul '08	Jun '08	Nov '07
CFNAI							
Current	-2.47	-1.27	-3.74	-2.19	-1.28	-0.83	-0.44
Previous	N/A	-1.06	-3.11	-2.11	-1.24	-0.81	-0.44
CFNAI-MA3							
Current	-2.49	-2.40	-2.40	-1.43	-1.07	-0.98	-0.49
Previous	N/A	-2.09	-2.16	-1.39	-1.05	-0.98	-0.50

Current and Previous values reflect index values as of the December 22, 2008, release and November 24, 2008, release, respectively. N/A indicates not applicable.

The production and income category also made a large negative contribution of -0.76 to the index in November, following a contribution of $+0.21$ in October. Total industrial production decreased 0.6 percent in November after increasing 1.5 percent in the previous month. In addition, the Institute for Supply Management's Manufacturing Purchasing Managers' Index indicated a further decline in manufacturing activity in November with the index falling to 36.2 from 38.9 in October.

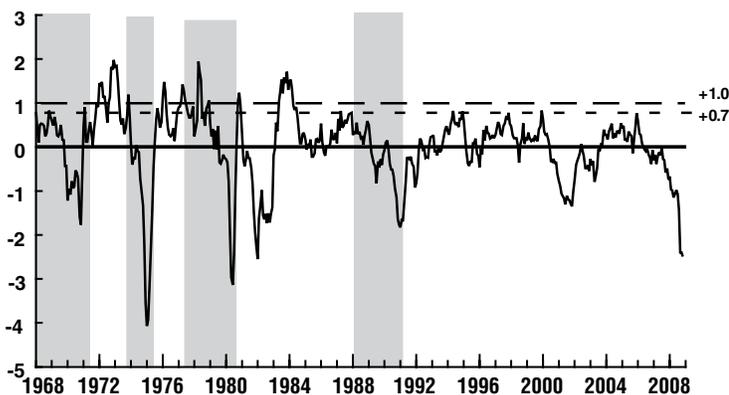
The consumption and housing category made a contribution of -0.46 to the index in November, following a contribution of -0.50 in October. Housing starts declined 18.9 percent in November, following a 6.4 percent decrease in October; and building permits were 15.6 percent lower in November after decreasing 9.3 percent in the previous month. The sales, orders, and inventories category also made a negative contribution of -0.22 in November.

Eighteen of the 85 individual indicators made positive contributions to the index in November, while 67 made negative contributions.

Twenty-eight indicators improved from October to November, while 57 indicators deteriorated. Of the improved indicators, 12 made negative contributions. The index was constructed using data available as of December 18, 2008. At that time, November data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

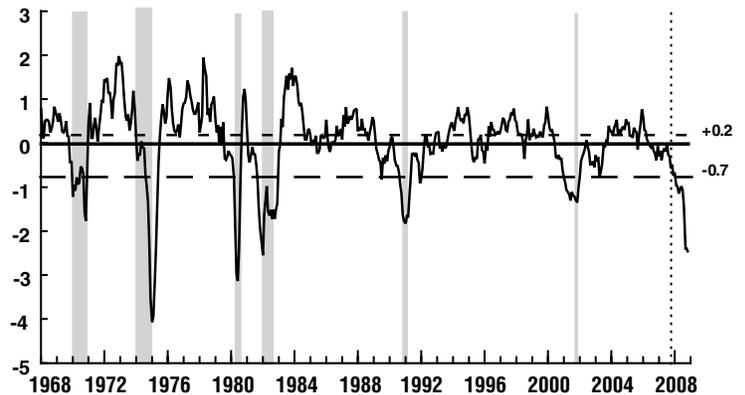
The October monthly index was revised down to -1.27 from an initial estimate of -1.06 . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The downward revision to the October monthly index was primarily due to differences between the estimates of previously unavailable data and subsequently published data.

CFNAI-MA3 and Inflation Cycles



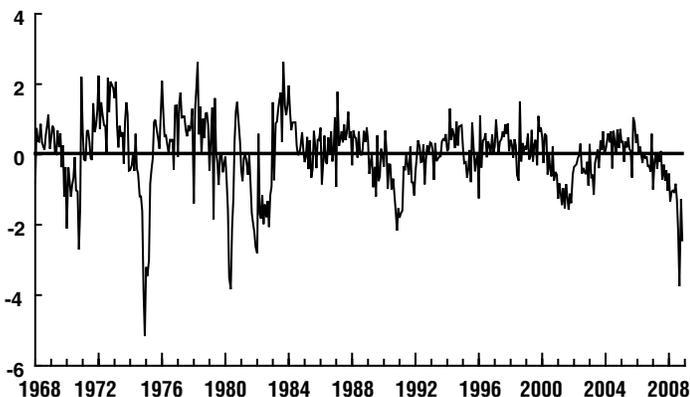
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above $+0.70$ more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above $+1.00$ more than two years into an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

CFNAI, Monthly Index



2009 CFNAI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
<i>January 26, 2009</i>	<i>December 2008</i>
<i>February 23, 2009</i>	<i>January 2009</i>
<i>March 23, 2009</i>	<i>February 2009</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>