

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
October 21, 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:
November 24, 2008
8:30 am Eastern Time
7:30 am Central Time

FEDERAL RESERVE BANK
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Chicago Fed *National Activity Index*

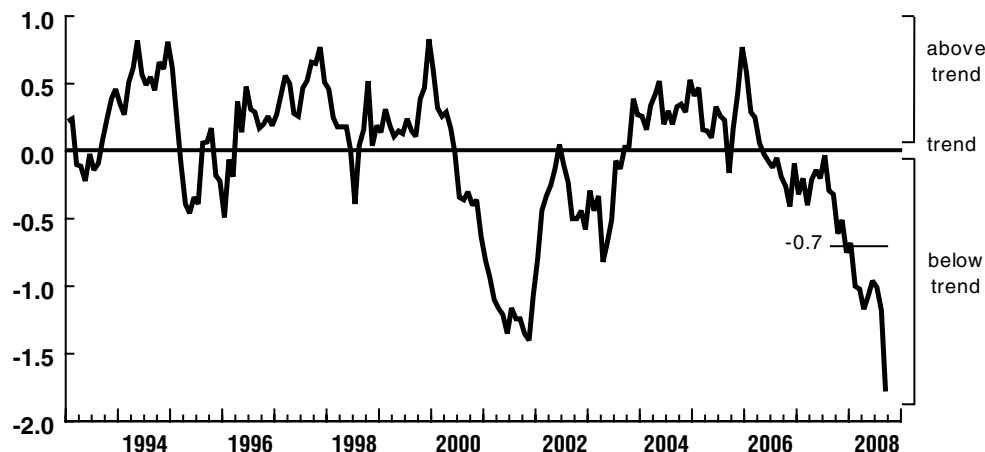
Index shows economic activity weakened further in September

The Chicago Fed National Activity Index was -2.57 in September, down from -1.61 in August. Most of the index's decline in September was driven by the steep drop in industrial production, as reflected in the contribution of the production and income category of indicators. However, all four broad categories of indicators made negative contributions to the index in September.

The three-month moving average, CFNAI-MA3, decreased to -1.78 in September from -1.18 in the previous month. This negative value suggests that growth in national economic activity was below its historical trend, and marks the tenth consecutive month that the CFNAI-MA3 has indicated an increasing likelihood that a recession has begun. With regard to inflation, September's three-month moving average indicates low inflationary pressure from economic activity over the coming year.

The sharp decline in the monthly index was driven primarily by the production and income category. This category made a contribution of -1.60 to the index in September, following a contribution of -0.67 in August. Total industrial production declined 2.8 percent in September

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



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

	Sep '08	Aug '08	Jul '08	Jun '08	May '08	Apr '08	Sep '07
CFNAI							
Current	-2.57	-1.61	-1.16	-0.78	-1.08	-1.03	-0.30
Previous	N/A	-1.59	-0.93	-0.76	-1.09	-1.04	-0.30
CFNAI-MA3							
Current	-1.78	-1.18	-1.01	-0.96	-1.07	-1.17	-0.32
Previous	N/A	-1.09	-0.92	-0.96	-1.08	-1.19	-0.32

Current and Previous values reflect index values as of the October 21, 2008, release and September 22, 2008, release, respectively. N/A indicates not applicable.

after decreasing 1.0 percent in the previous month. Temporary disruptions in production due to recent hurricanes accounted for most of the decline in total industrial output in September.

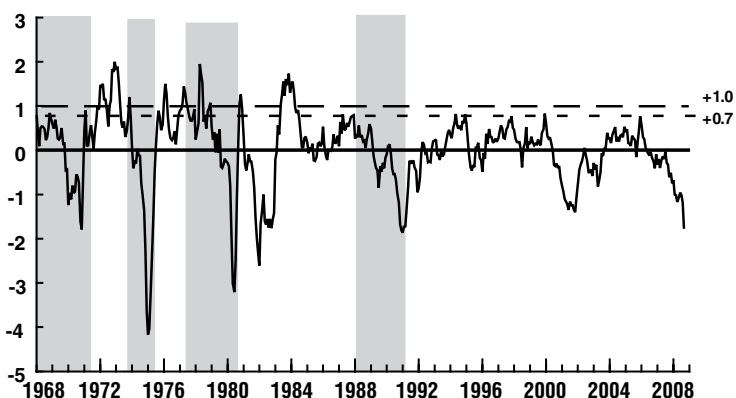
Employment-related indicators contributed -0.55 to the index in September—the same as they did in August. Total nonfarm payroll employment declined by 159,000 in September after decreasing 73,000 in the previous month, but the unemployment rate held steady at 6.1 percent in September.

The consumption and housing category made a contribution of -0.33 to the index in September, following a contribution of -0.34 in August. Housing starts decreased 6.3 percent in September, following an 8.1 percent decline in August; and building permits were 8.3 percent lower in September after decreasing 8.5 percent in the previous month. The sales, orders, and inventories category also made a negative contribution of -0.09 in September.

Twenty-one of the 85 individual indicators made positive contributions to the index in September, while 64 made negative contributions. Thirty-seven indicators improved from August to September, while 48 indicators deteriorated. Of the improved indicators, 22 made negative contributions. The index was constructed using data available as of October 17, 2008. At that time, September data for 49 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

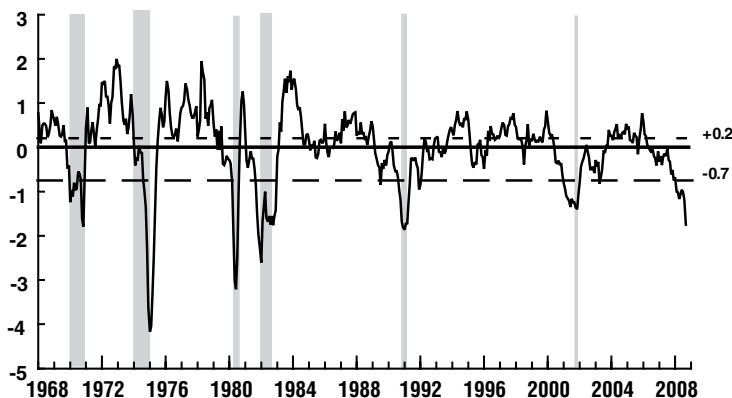
The August monthly index was revised down to -1.61 from an initial estimate of -1.59 . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The slight downward revision to the August monthly index was nearly equally due to each factor.

CFNAI-MA3 and Inflation Cycles



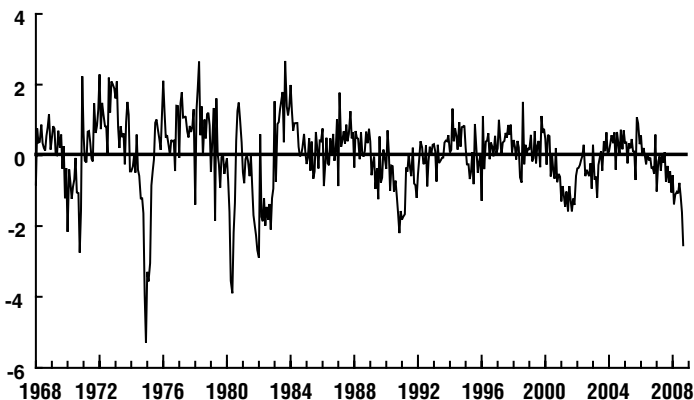
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above $+0.70$ more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above $+1.00$ more than two years into an 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 $+0.20$ following a period of economic contraction indicates a significant likelihood that a recession has ended.

CFNAI, Monthly Index



2008 CFNAI Release Dates

Date of Release	Monthly Data for
November 24, 2008	October 2008
December 22, 2008	November 2008