

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
July 21, 2009

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.

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:

August 24, 2009
8:30 am Eastern Time
7:30 am Central Time

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Chicago Fed *National Activity Index*

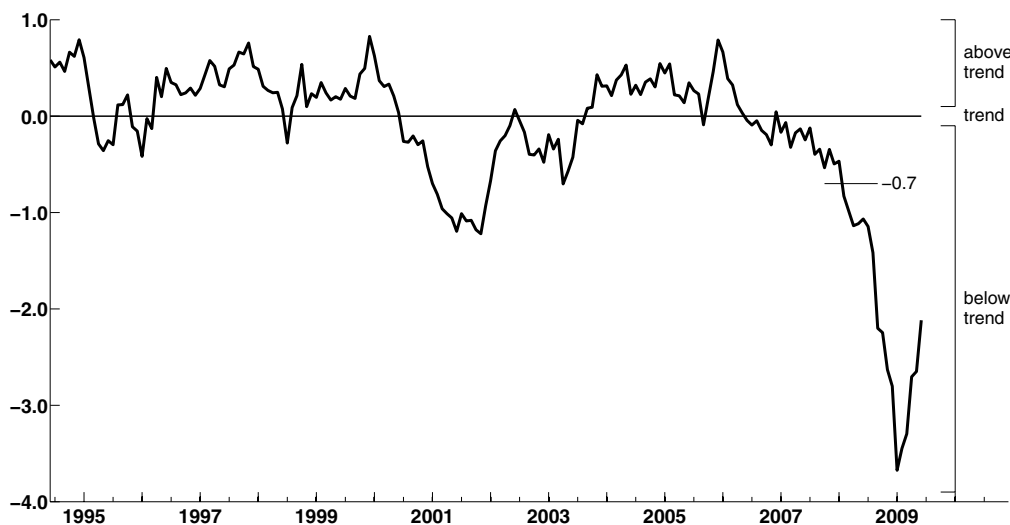
Index shows economic activity improved in June

The Chicago Fed National Activity Index was -1.80 in June, up from -2.30 in May. All four broad categories of indicators continued to make negative contributions to the index, with employment and housing-related indicators accounting for much of the weakness in June.

The three-month moving average, CFNAI-MA3, was -2.12 in June, up from -2.65 in the previous month. June's CFNAI-MA3 suggests that growth in national economic activity was well below its historical trend. 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 increase in the index was primarily due to the production and income category of indicators. This category made a smaller negative contribution to the index in June, -0.32 , compared with its contribution in May, -0.70 . The smaller negative contribution was driven by the fact that total industrial production decreased 0.4 percent in June after declining 1.2 percent in May.

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



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

	Jun '09	May '09	Apr '09	Mar '09	Feb '09	Jan '09	Jun '08
CFNAI							
Current	-1.80	-2.30	-2.25	-3.39	-2.47	-4.03	-0.98
Previous	N/A	-2.30	-2.27	-3.42	-2.48	-4.02	-0.97
CFNAI-MA3							
Current	-2.12	-2.65	-2.70	-3.30	-3.45	-3.67	-1.07
Previous	N/A	-2.67	-2.73	-3.31	-3.45	-3.68	-1.07

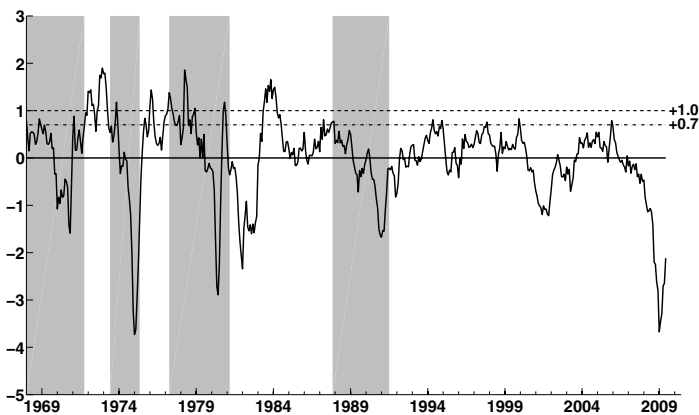
Current and Previous values reflect index values as of the July 21, 2009, release and June 29, 2009, release, respectively. N/A indicates not applicable.

Employment-related indicators also improved in June with a contribution of -0.82 , up from -0.96 in May. Total nonfarm payroll employment declined 467,000 in June after decreasing 322,000 in the previous month. However, the increase in unemployment slowed in June as the unemployment rate inched up 0.1 percent after increasing 0.5 percent in May. In addition, manufacturing employment decreased 136,000 in June after declining 156,000 in the previous month.

The consumption and housing category's contribution to the index improved slightly to -0.51 in June, following a contribution of -0.53 in May. Housing starts increased to 582,000 annualized units in June from 562,000 in the previous month; and building permits rose to 563,000 annualized units in June from 518,000 in May. The sales, orders, and inventories category also made a negative contribution of -0.14 in June after contributing -0.11 in May.

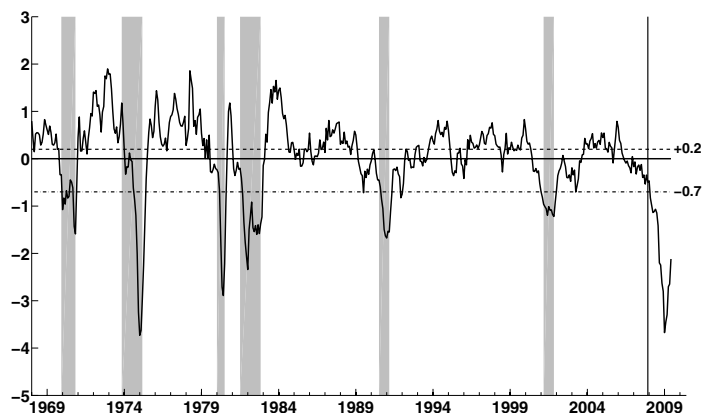
Fifteen of the 85 individual indicators made positive contributions to the index in June, while 70 made negative contributions. Fifty-two indicators improved from May to June, while 33 indicators deteriorated. Of the improved indicators, 44 made negative contributions. The index was constructed using data available as of July 17, 2009. At that time, June data for 49 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index. The May monthly index was unrevised from an initial estimate of -2.30 .

CFNAI-MA3 and Inflation Cycles



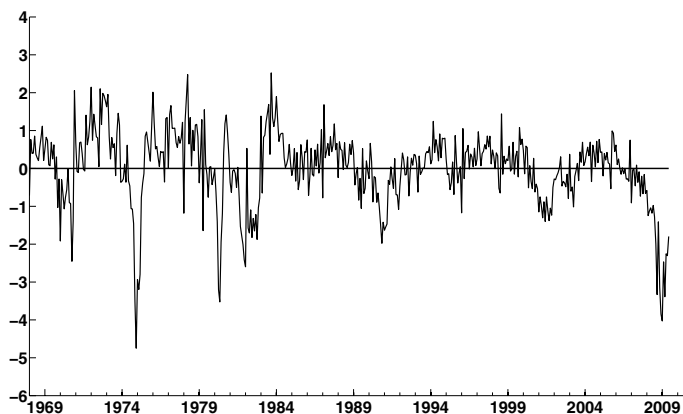
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above $+0.70$ more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above $+1.00$ more than two years into an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



2009 CFNAI Release Dates

Date of Release	Monthly Data for
August 24, 2009	July 2009
September 28, 2009	August 2009
October 26, 2009	September 2009
November 23, 2009	October 2009
December 21, 2009	November 2009