

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
August 23, 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. 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:
September 27, 2010
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 rebounded in July

Led by improvements in production-related indicators, the Chicago Fed National Activity Index returned to its historical average of zero in July, up from -0.70 in June. Three of the four broad categories of indicators that make up the index improved from June, but only the production and income category made a positive contribution to the index in July.

The index's three-month moving average, CFNAI-MA3, edged lower to -0.17 in July from -0.12 in June. July's CFNAI-MA3 suggests that growth in national economic activity was somewhat below its historical trend. With regard to inflation, the amount of economic slack reflected in the CFNAI-MA3 suggests subdued inflationary pressure from economic activity over the coming year.

Production-related indicators made a contribution of $+0.43$ to the index in July, up from -0.16 in June. Total industrial production increased 1.0 percent in July after edging lower 0.1 percent in June. In addition, manufacturing production rose 1.1 percent in July after decreasing 0.4 percent in the previous month, and manufacturing capacity utilization increased to 72.2 percent in July from 71.4 percent in June.

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



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

	Jul '10	Jun '10	May '10	Apr '10	Mar '10	Feb '10	Jul '09
CFNAI							
Current	0.00	-0.70	+0.19	+0.17	+0.43	-0.53	-0.07
Previous	N/A	-0.63	+0.31	+0.16	+0.47	-0.52	-0.14
CFNAI-MA3							
Current	-0.17	-0.12	+0.26	+0.02	-0.03	-0.33	-1.32
Previous	N/A	-0.05	+0.31	+0.04	-0.01	-0.31	-1.36

Current and Previous values reflect index values as of the August 23, 2010, release and July 26, 2010, release, respectively. N/A indicates not applicable.

Employment-related indicators made a neutral contribution to the index in July, up from -0.14 in June. Total nonfarm payroll employment decreased by 131,000 in July; however, private nonfarm payrolls increased by 71,000. In addition, manufacturing payrolls rose for the seventh straight month, increasing by 36,000 in July after edging up 13,000 in June.

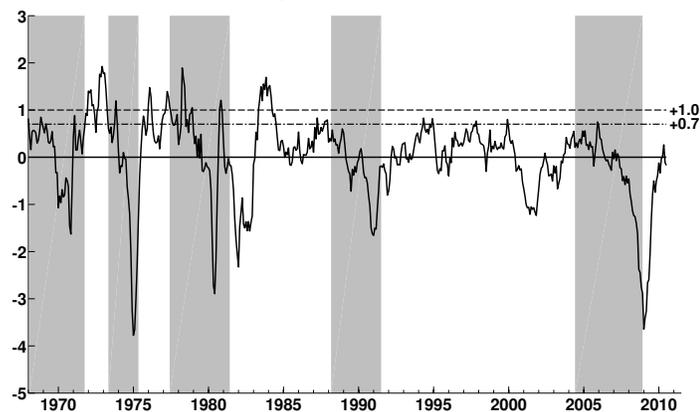
The sales, orders, and inventories category also made a neutral contribution to the index in July, down from $+0.06$ in June. The Institute for Supply Management's Manufacturing New Orders Index declined to 53.5 in July from 58.5 in the previous month.

The consumption and housing category contributed -0.43 to the index in July, up slightly from -0.46 in June. Housing starts increased to 546,000 annualized units in July from 537,000 in June, while building permits decreased to 565,000 annualized units in July from 583,000 in the previous month.

Forty-six of the 85 individual indicators made positive contributions to the index in July, while 39 made negative contributions. Fifty-six indicators improved from June to July, while 28 indicators deteriorated and one was unchanged. Of the indicators that improved, 20 made negative contributions. The index was constructed using data available as of August 19, 2010. At that time, July data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

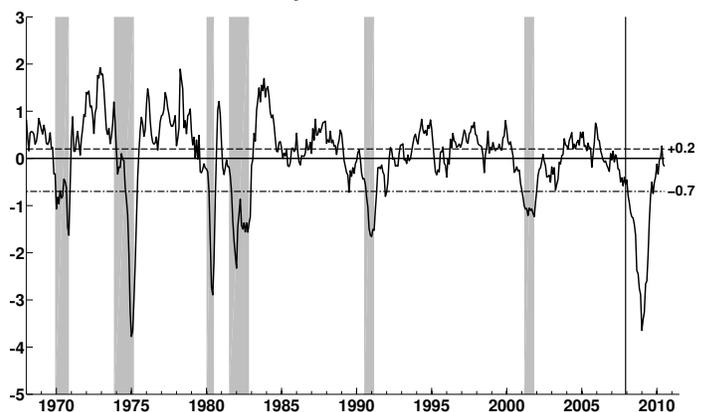
The June monthly index was revised to -0.70 from an initial estimate of -0.63 . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The downward revision to the June monthly index was due primarily to revisions in previously published data.

CFNAI-MA3 and Inflation Cycles



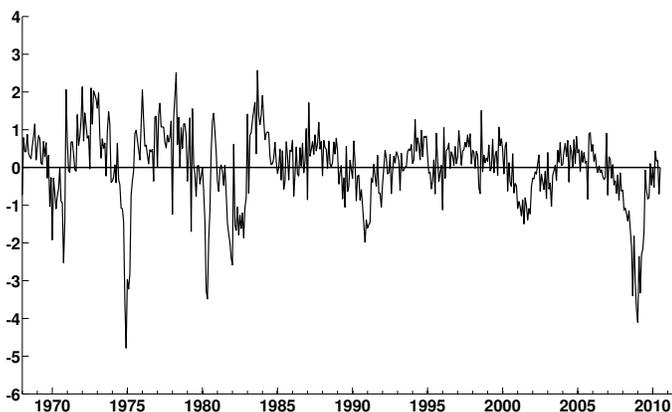
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above $+0.70$ more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above $+1.00$ more than two years into an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



2010 CFNAI Release Dates

Date of Release	Monthly Data for
September 27, 2010	August 2010
October 25, 2010	September 2010
November 22, 2010	October 2010
December 20, 2010	November 2010