

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
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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:
August 23, 2010
8:30 am Eastern Time
7:30 am Central Time

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Chicago Fed National Activity Index

Index shows economic activity declined in June

Led by deterioration in production- and employment-related indicators, the Chicago Fed National Activity Index declined to -0.63 in June, down from $+0.31$ in May. Three of the four broad categories of indicators that make up the index made negative contributions in June, while the sales, orders, and inventories category made the lone positive contribution.

The index's three-month moving average, CFNAI-MA3, decreased to -0.05 in June from $+0.31$ in May. The CFNAI-MA3 suggests that growth in national economic activity returned very close to its historical trend in June after reaching its highest level since March 2006 in May. With regard to inflation, it indicates subdued inflationary pressure from economic activity over the coming year.

Production-related indicators made a contribution of -0.11 to the index in June, down from $+0.61$ in May. Industrial production edged up 0.1 percent in June after increasing 1.3 percent in May; manufacturing production declined 0.4 percent in June after increasing 1.0 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

	Jun '10	May '10	Apr '10	Mar '10	Feb '10	Jan '10	Jun '09
CFNAI							
Current	-0.63	+0.31	+0.16	+0.47	-0.52	+0.02	-1.72
Previous	N/A	+0.21	+0.25	+0.38	-0.48	+0.07	-1.84
CFNAI-MA3							
Current	-0.05	+0.31	+0.04	-0.01	-0.31	-0.09	-2.11
Previous	N/A	+0.28	+0.05	-0.01	-0.28	-0.06	-2.14

Current and Previous values reflect index values as of the July 26, 2010, release and June 28, 2010, release, respectively. N/A indicates not applicable.

Employment-related indicators contributed -0.13 to the index in June, down from $+0.08$ in May. Total nonfarm payroll employment declined by 125,000 in June after increasing by 433,000 in May. In addition, average weekly hours worked in manufacturing decreased to 41.0 in June from 41.5 in the previous month.

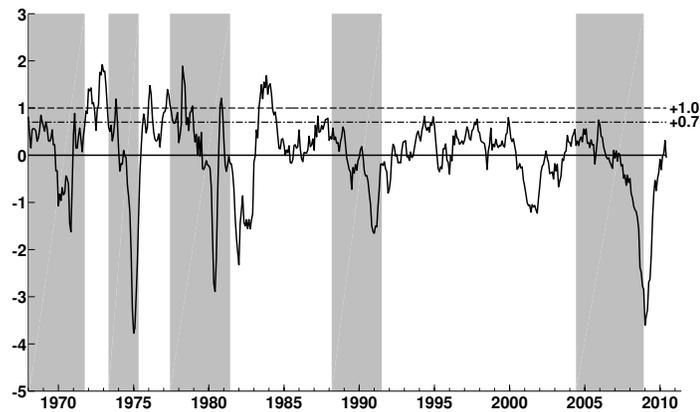
The consumption and housing category's contribution to the index remained negative but improved slightly to -0.43 in June from -0.45 in May. Housing starts declined to 549,000 annualized units in June from 578,000 in May, while building permits increased to 586,000 annualized units in June from 574,000 in the previous month.

The sales, orders, and inventories category made a contribution of $+0.05$ to the index in June, compared with $+0.06$ in May. The Institute for Supply Management's Manufacturing New Orders Index decreased to 58.5 in June from 65.7 in May, and the Manufacturing Inventories Index edged up to 45.8 in June from 45.6 in the previous month.

Thirty-six of the 85 individual indicators made positive contributions to the index in June, while 49 made negative contributions. Twenty-nine indicators improved from May to June, while 56 indicators deteriorated. Of the indicators that improved, thirteen made negative contributions. The index was constructed using data available as of July 22, 2010. At that time, June data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

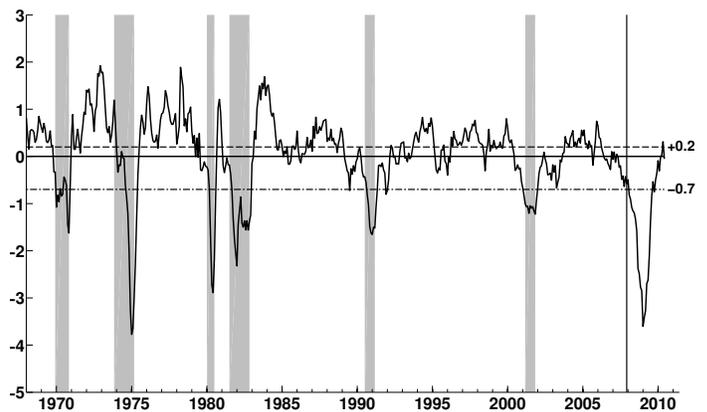
The May monthly index was revised to $+0.31$ from an initial estimate of $+0.21$. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The upward revision to the May monthly index was due primarily to revisions in previously published data.

CFNAI-MA3 and Inflation Cycles



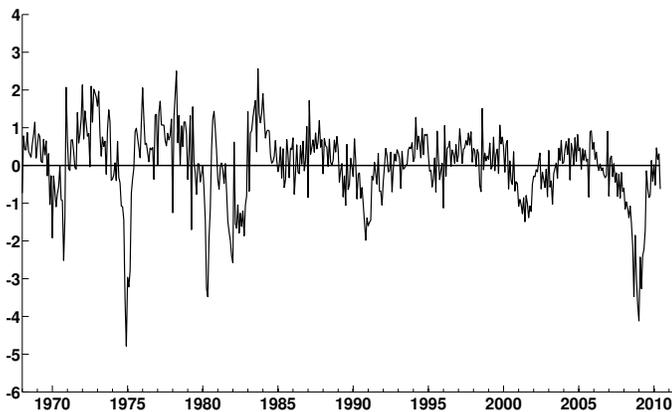
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above $+0.70$ more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above $+1.00$ more than two years into an 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
August 23, 2010	July 2010
September 27, 2010	August 2010
October 25, 2010	September 2010
November 22, 2010	October 2010
December 20, 2010	November 2010