

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:

July 26, 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 continued to expand in May

The Chicago Fed National Activity Index edged lower to $+0.21$ in May from $+0.25$ in April. Production indicators continued to make strong contributions to the index in May, while weaker contributions from employment- and housing-related indicators accounted for the slight decrease in the index from April.

The index's three-month moving average, CFNAI-MA3, rose to its highest level since March 2006, increasing to $+0.28$ in May from $+0.05$ in April. May's CFNAI-MA3 suggests that growth in national economic activity was above its historical trend. Moving above $+0.20$, the index's three-month moving average in May also reached a level historically associated with a mature economic recovery following a recession. With regard to inflation, the CFNAI-MA3 in May indicates limited inflationary pressure from economic activity over the coming year.

Production-related indicators made a contribution of $+0.51$ to the index in May, compared with $+0.39$ in April. Industrial production rose 1.2 percent in May after increasing 0.7 percent in April, and manufacturing production increased 0.9 percent for the second straight 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

	May '10	Apr '10	Mar '10	Feb '10	Jan '10	Dec '09	May '09
CFNAI							
Current	+0.21	+0.25	+0.38	-0.48	+0.07	-0.44	-2.30
Previous	N/A	+0.29	+0.13	-0.52	+0.11	-0.46	-2.39
CFNAI-MA3							
Current	+0.28	+0.05	-0.01	-0.28	-0.06	-0.37	-2.62
Previous	N/A	-0.03	-0.09	-0.29	-0.06	-0.38	-2.63

Current and Previous values reflect index values as of the June 28, 2010, release and May 24, 2010, release, respectively. N/A indicates not applicable.

In addition, manufacturing capacity utilization rose to 71.5 percent in May from 70.8 percent in the previous month, reaching its highest level since October 2008.

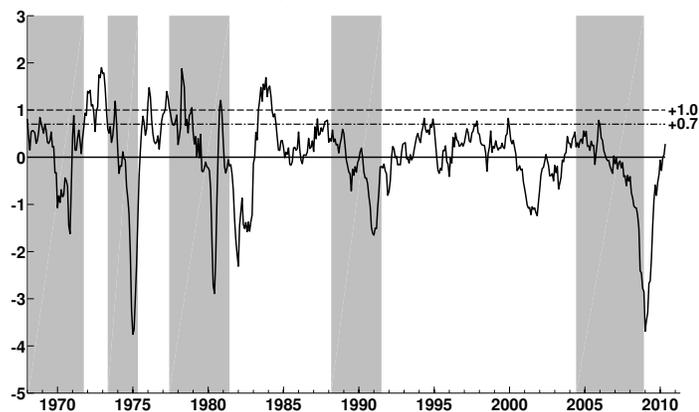
Employment-related indicators contributed +0.06 to the index in May, down from +0.21 in April. Total nonfarm payroll employment rose by 431,000 in May after increasing by 290,000 in April. However, private payroll employment in May increased by only 41,000 after rising by 218,000 in April. The sales, orders, and inventories category also contributed +0.06 to the index in May, up slightly from +0.04 in April.

In contrast, the consumption and housing category's contribution to the index remained negative. This category contributed -0.42 in May, down slightly from -0.40 in April. Housing starts declined to 593,000 annualized units in May from 659,000 in April, and building permits declined to 574,000 annualized units in May from 610,000 in the previous month.

Forty-four of the 85 individual indicators made positive contributions to the index in May, while 41 made negative contributions. Forty-four indicators improved from April to May, while 38 indicators deteriorated and three were unchanged. Of the indicators that improved, 12 made negative contributions. The index was constructed using data available as of June 17, 2010. At that time, May data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

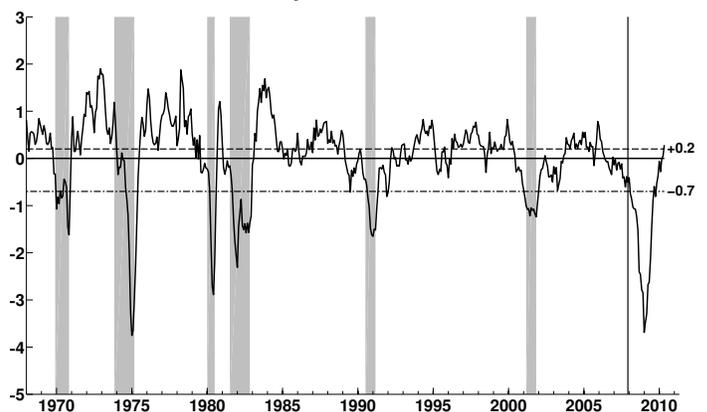
The April monthly index was revised to +0.25 from an initial estimate of +0.29. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The downward revision to the April monthly index was due primarily to revisions in previously published data.

CFNAI-MA3 and Inflation Cycles



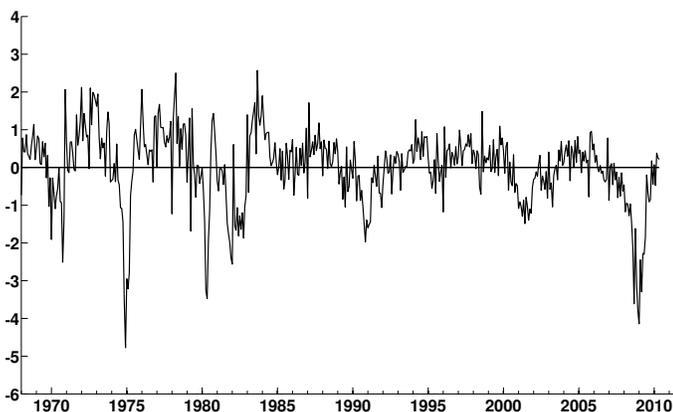
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above +0.70 more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above +1.00 more than two years into an economic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

<i>Date of Release</i>	<i>Monthly Data for</i>
<i>July 26, 2010</i>	<i>June 2010</i>
<i>August 23, 2010</i>	<i>July 2010</i>
<i>September 27, 2010</i>	<i>August 2010</i>
<i>October 25, 2010</i>	<i>September 2010</i>
<i>November 22, 2010</i>	<i>October 2010</i>
<i>December 20, 2010</i>	<i>November 2010</i>