

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
May 24, 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:
June 28, 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 improve in April

Led by continued improvements in production- and employment-related indicators, the Chicago Fed National Activity Index increased to $+0.29$ in April, up from $+0.13$ in March. April marked the highest level of the index since December 2006 and the third time in the past four months that the index indicated above-average economic activity. Three of the four broad categories of indicators that make up the index made positive contributions in April, while the consumption and housing category made the lone negative contribution.

The index's three-month moving average, CFNAI-MA3, increased to -0.03 in April from -0.09 in March, reaching its highest level since February 2007. April's CFNAI-MA3 suggests that growth in national economic activity was very near its historical trend. With the index still slightly below trend, there remains some economic slack, suggesting subdued inflationary pressure from economic activity over the coming year.

Production-related indicators made a contribution of $+0.41$ to the index in April, compared with $+0.23$ in March. Industrial production increased 0.8 percent in April after increasing

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



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

	Apr '10	Mar '10	Feb '10	Jan '10	Dec '09	Nov '09	Apr '09
CFNAI							
Current	+0.29	+0.13	-0.52	+0.11	-0.46	+0.17	-2.12
Previous	N/A	-0.07	-0.44	-0.05	-0.45	+0.15	-2.12
CFNAI-MA3							
Current	-0.03	-0.09	-0.29	-0.06	-0.38	-0.53	-2.65
Previous	N/A	-0.18	-0.31	-0.11	-0.40	-0.56	-2.65

Current and Previous values reflect index values as of the May 24, 2010, release and April 29, 2010, release, respectively. N/A indicates not applicable.

0.2 percent in March. In addition, manufacturing production increased 1.0 percent for the second straight month, and manufacturing capacity utilization rose to 70.8 percent in April from 70.0 percent in the previous month.

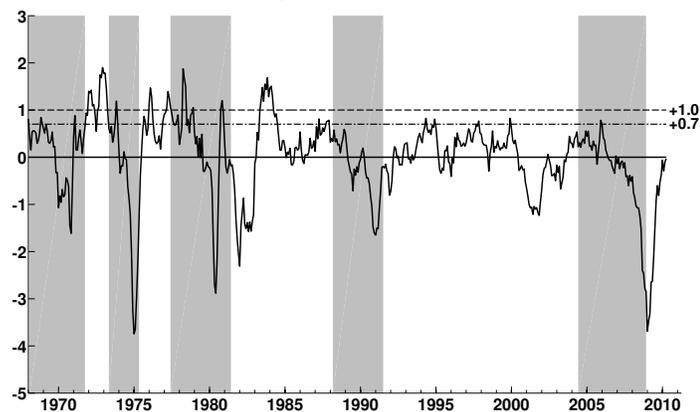
Employment-related indicators contributed +0.23 to the index in April, up from +0.16 in March. Total nonfarm payroll employment rose by 290,000 in April after increasing by 230,000 in March. Manufacturing employment also continued to increase in April, growing by 44,000; and average weekly hours worked in manufacturing rose to 41.2 hours from 41.0 in the previous month.

The sales, orders, and inventories category also made a positive contribution to the index in April, contributing +0.06, down slightly from +0.08 in March. In contrast, the consumption and housing category's contribution to the index remained negative; this category contributed -0.41 in April, down from -0.35 in March. Housing starts improved in April, while building permits declined.

Fifty-one of the 85 individual indicators made positive contributions to the index in April, while 34 made negative contributions. Forty-seven indicators improved from March to April, while 37 indicators deteriorated and one was unchanged. Of the indicators that improved, 11 made negative contributions. The index was constructed using data available as of May 20, 2010. At that time, April data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

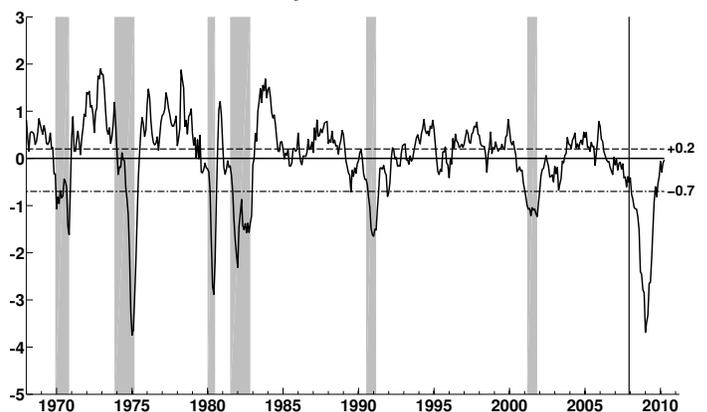
The March monthly index was revised to +0.13 from an initial estimate of -0.07. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The upward revision to the March monthly index was due primarily to revisions in previously published data.

CFNAI-MA3 and Inflation Cycles



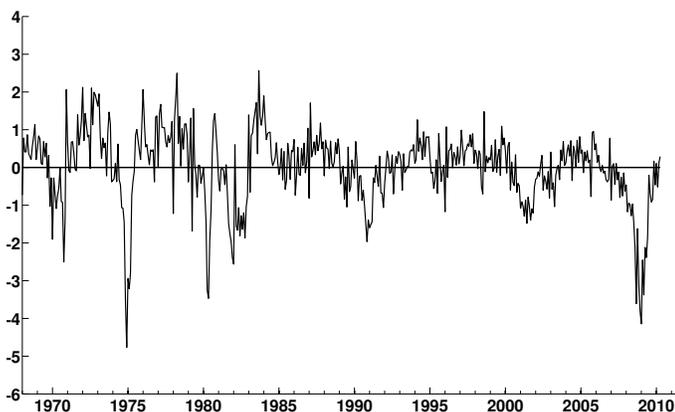
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above +0.70 more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above +1.00 more than two years into an economic 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>June 28, 2010</i>	<i>May 2010</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>