

News Release

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8:30 am Eastern 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:

September 26, 2011

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 improved in July

Led by improvements in production-related indicators, the Chicago Fed National Activity Index increased to -0.06 in July from -0.38 in June. Three of the four broad categories of indicators that make up the index improved in July; only the sales, orders, and inventories category deteriorated from June.

The index's three-month moving average, CFNAI-MA3, increased to -0.29 in July from -0.54 in June. July's CFNAI-MA3 suggests that growth in national economic activity was below its historical trend. Likewise, the economic slack reflected in this level of the CFNAI-MA3 suggests subdued inflationary pressure from economic activity over the coming year.

Production-related indicators made a contribution of $+0.28$ to the index in July, up sharply from $+0.03$ in June. Industrial production increased 0.9 percent in July after rising 0.4 percent in June. Manufacturing production, particularly auto production, rebounded; and manufacturing capacity utilization rose to 75.0 percent in July from 74.6 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

	Jul '11	Jun '11	May '11	Apr '11	Mar '11	Feb '11	Jul '10
CFNAI							
Current	-0.06	-0.38	-0.44	-0.81	+0.41	-0.26	+0.27
Previous	N/A	-0.46	-0.55	-0.78	+0.40	-0.23	+0.21
CFNAI-MA3							
Current	-0.29	-0.54	-0.28	-0.22	+0.12	+0.13	0.00
Previous	N/A	-0.60	-0.31	-0.20	+0.12	+0.14	-0.07

Current and Previous values reflect index values as of the August 22, 2011, release and July 25, 2011, release, respectively. N/A indicates not applicable.

Employment-related indicators contributed +0.05 to the index in July, an increase from -0.10 in June. Total nonfarm payroll employment increased by 117,000 in July after edging up 46,000 in June; and the unemployment rate ticked down to 9.1 percent in July from 9.2 percent in the previous month. The consumption and housing category also improved: Its contribution to the index was -0.33 in July, up slightly from -0.34 in June.

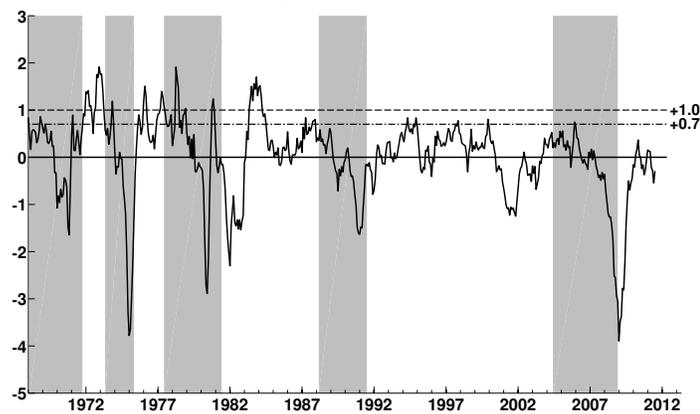
The sales, orders, and inventories category was the only one to deteriorate in July. It contributed -0.06 to the index in July, down from +0.03 in June. The Institute for Supply Management's Manufacturing Purchasing Managers' New Orders Index declined to 49.2 in July, falling below 50 for the first time since June 2009.

Forty-three of the 85 individual indicators made positive contributions to the index in July, while 42 made negative contributions.

Forty-six indicators improved from June to July, while 37 indicators deteriorated and two were unchanged. Of the indicators that improved, 13 made negative contributions. The index was constructed using data available as of August 18, 2011. 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.

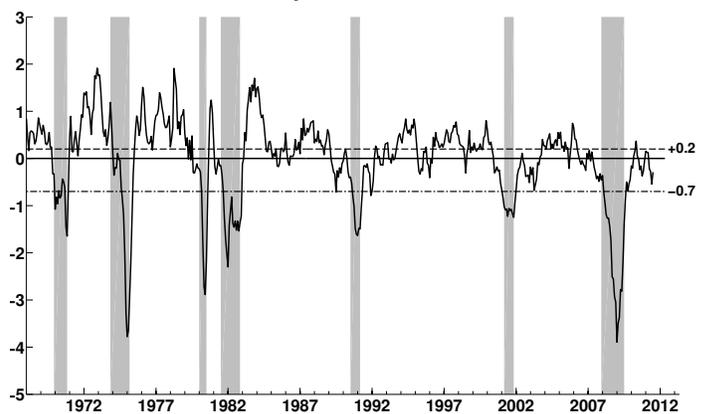
The June monthly index was revised to -0.38 from an initial estimate of -0.46. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The revision to the June monthly index was due primarily to the former.

CFNAI-MA3 and Inflation Cycles



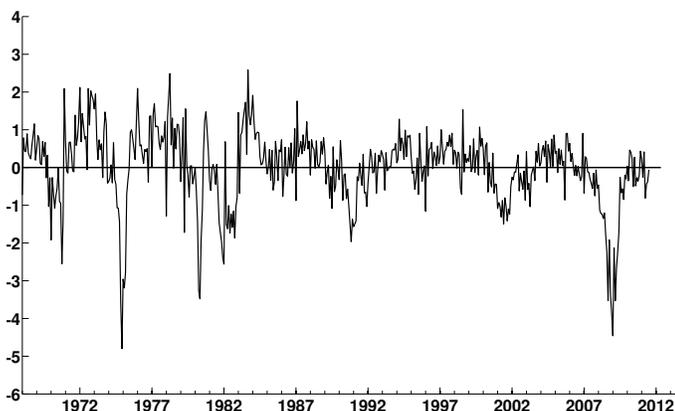
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above +0.70 more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above +1.00 more than two years into an economic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



2011 CFNAI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
September 26, 2011	August 2011
October 24, 2011	September 2011
November 21, 2011	October 2011
December 22, 2011	November 2011