News Release

Chicago Fed National Activity Index

Index shows slower economic activity in January

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
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Led by declines in production-related indicators, the Chicago Fed National Activity Index decreased to –0.16 in January from +0.18 in December. Three of the four broad categories of indicators that make up the index made positive contributions in January, but they were offset by continued weakness in the consumption and housing category.

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?

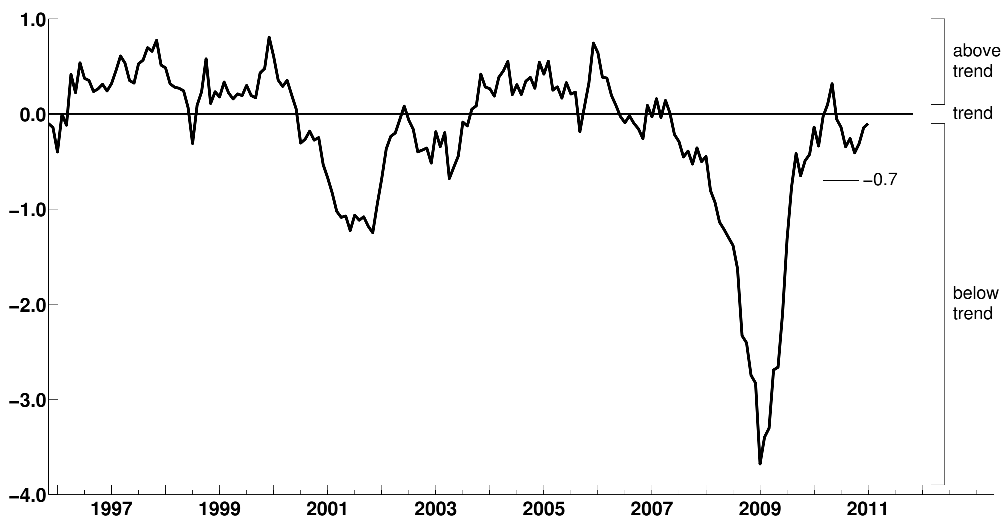
When the CFNAI-MA3 value moves below –0.70 following a period of economic expansion, there is an increasing likelihood that a recession has begun. Conversely, when the CFNAI-MA3 value moves above –0.70 following a period of economic contraction, there is an increasing likelihood that a recession has 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 index's three-month moving average, CFNAI-MA3, edged up to –0.10 in January from –0.14 in December, increasing for the third straight month. January's CFNAI-MA3 suggests that growth in national economic activity was slightly 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.

The consumption and housing category's contribution to the index improved from –0.43 in December to –0.38 in January, the first increase in five months. Housing starts increased to 596,000 annualized units in January from 520,000 in December, while building permits fell to 562,000 annualized units in January from 627,000 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

	Jan '11	Dec '10	Nov '10	Oct '10	Sep '10	Aug '10	Jan '10
CFNAI							
Current	–0.16	+0.18	–0.33	–0.29	–0.32	–0.62	+0.05
Previous	N/A	+0.03	–0.40	–0.30	–0.37	–0.49	+0.14
CFNAI-MA3							
Current	–0.10	–0.14	–0.31	–0.41	–0.26	–0.35	–0.14
Previous	N/A	–0.22	–0.36	–0.39	–0.23	–0.29	–0.08

Current and Previous values reflect index values as of the February 24, 2011, release and January 27, 2011, release, respectively.
N/A indicates not applicable.

The next CFNAI will be released:
March 21, 2011
8:30 am Eastern Time
7:30 am Central Time

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Production-related indicators made a contribution of +0.05 to the index in January, down from +0.45 in December. Total industrial production ticked down 0.1 percent in January after rising 1.2 percent in December. However, the Institute for Supply Management's Manufacturing Purchasing Managers' Index increased to 60.8 in January from 58.5 in December.

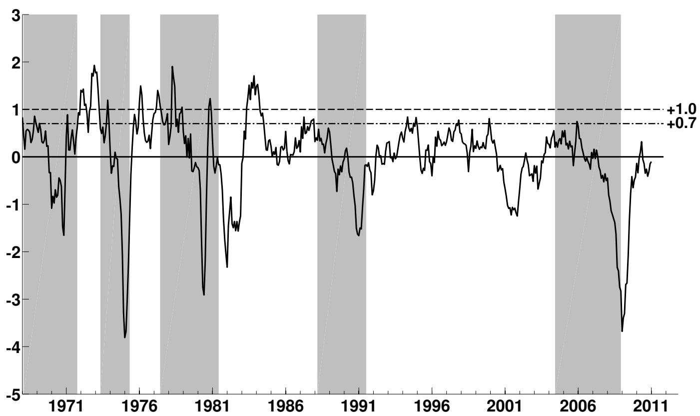
The sales, orders, and inventories category contributed +0.06 to the index in January, up from +0.02 in December. The Institute for Supply Management's Manufacturing New Orders Index rose to 67.8 in January from 62.0 in the previous month, reaching its highest level since January 2004.

Employment-related indicators made a contribution of +0.11 to the index in January, edging down from +0.15 in December. Total nonfarm payroll employment rose by 36,000 in January after increasing by 121,000 in December. However, manufacturing payrolls rose by 49,000 in January, and the unemployment rate declined to 9.0 percent in January from 9.4 percent in December.

Thirty-nine of the 85 individual indicators made positive contributions to the index in January, while 46 made negative contributions. Thirty-nine indicators improved from December to January, while 45 indicators deteriorated and one was unchanged. Of the indicators that improved, 12 made negative contributions. The index was constructed using data available as of February 17, 2011. At that time, January data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

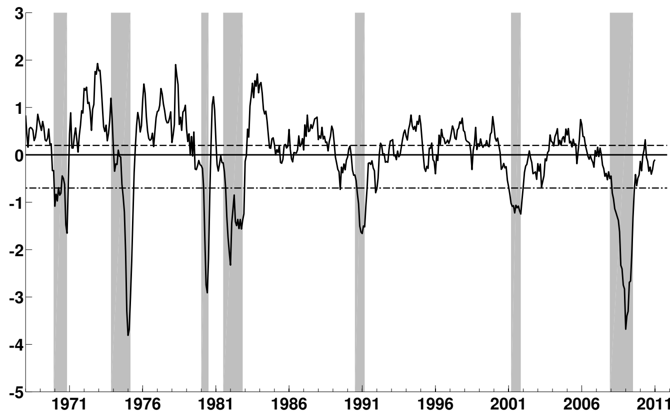
The December monthly index was revised to +0.18 from an initial estimate of +0.03. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The upward revision to the December monthly index was primarily due to revisions in previously published data.

CFNAI-MA3 and Inflation Cycles



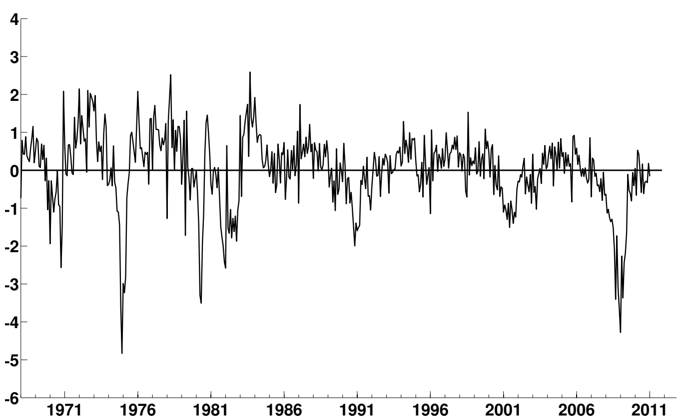
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above +0.70 more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above +1.00 more than two years into an economic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

Date of Release	Monthly Data for
March 21, 2011	February 2011
April 28, 2011	March 2011
May 23, 2011	April 2011
June 23, 2011	May 2011
July 25, 2011	June 2011
August 22, 2011	July 2011
September 26, 2011	August 2011
October 24, 2011	September 2011
November 21, 2011	October 2011
December 22, 2011	November 2011

CFNAI historical data and background information are available at www.chicagofed.org/cfnai.