News Release

Chicago Fed National Activity Index

Index shows improvement in economic activity in December

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:
February 24, 2011
8:30 am Eastern Time
7:30 am Central Time

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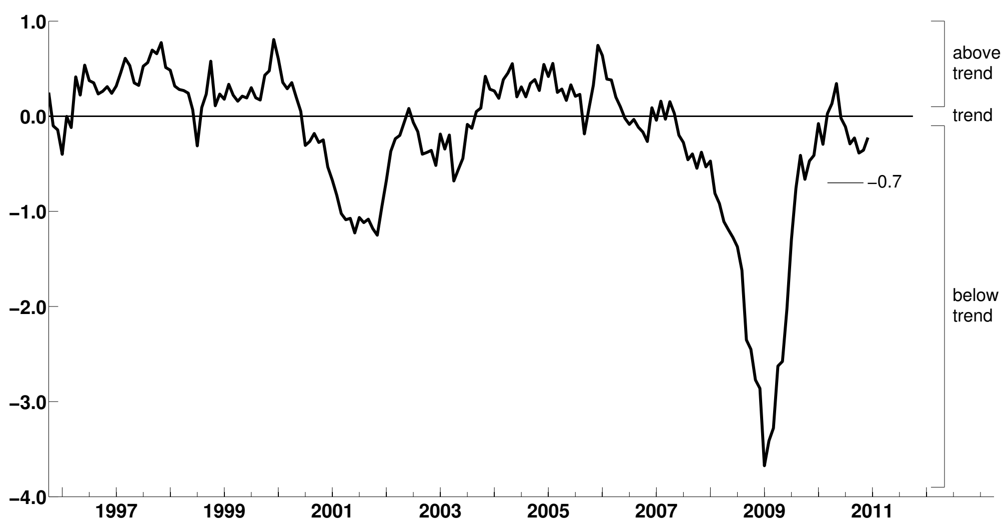
Led by gains in employment- and production-related indicators, the Chicago Fed National Activity Index increased to +0.03 in December from –0.40 in November. December marked the first time in five months that the index had a positive reading. Three of the four broad categories of indicators that make up the index made positive contributions in December, while the consumption and housing category continued to make a large negative contribution.

The index's three-month moving average, CFNAI-MA3, increased to –0.22 in December from –0.36 in November. The CFNAI-MA3 suggests that despite the improvement in December, growth in national economic activity remained below its historical trend for the seventh consecutive month. 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.

Production-related indicators made a contribution of +0.26 to the index in December, up from +0.04 in November. Total industrial production rose 0.8 percent in December after increasing 0.3 percent in November. Similarly, manufacturing industrial production rose 0.4 percent

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



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

	Dec '10	Nov '10	Oct '10	Sep '10	Aug '10	Jul'10	Dec '09
CFNAI							
Current	+0.03	–0.40	–0.30	–0.37	–0.49	+0.18	–0.44
Previous	N/A	–0.46	–0.25	–0.51	–0.51	+0.14	–0.42
CFNAI-MA3							
Current	–0.22	–0.36	–0.39	–0.23	–0.29	–0.11	–0.41
Previous	N/A	–0.41	–0.42	–0.29	–0.30	–0.13	–0.42

Current and Previous values reflect index values as of the January 27, 2011, release and December 20, 2010, release, respectively.
N/A indicates not applicable.

in December after increasing 0.3 percent in November, and the manufacturing capacity utilization rate increased to 73.2 percent in December from 72.9 percent in the previous month.

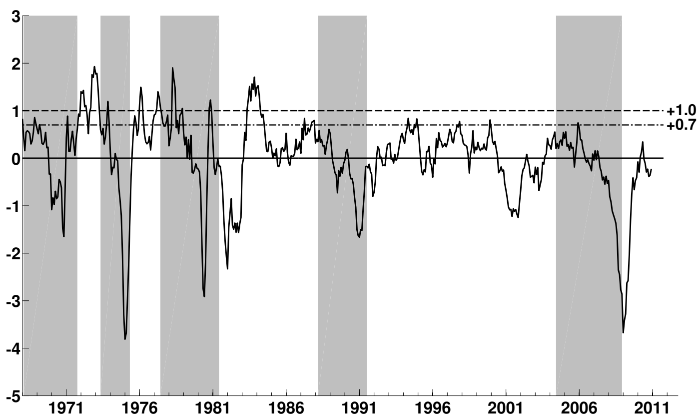
Employment-related indicators made a contribution of +0.15 to the index in December, up from –0.11 in November. Total nonfarm payroll employment rose by 103,000 in December after increasing by 71,000 in the previous month. In addition, the unemployment rate declined to 9.4 percent in December from 9.8 percent in November, and initial claims for unemployment insurance also decreased over the same time period.

The sales, orders, and inventories category made a contribution of +0.05 to the index in December, up slightly from +0.04 in November. In contrast, the consumption and housing category contributed –0.43 to the index in December, down from –0.39 in November. Housing starts declined to 529,000 annualized units in December from 553,000 in the previous month.

Forty-five of the 85 individual indicators made positive contributions to the index in December, while 40 made negative contributions. Forty-eight indicators improved from November to December, while 36 indicators deteriorated and one was unchanged. Of the indicators that improved, 14 made negative contributions. The index was constructed using data available as of January 20, 2011. At that time, December data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

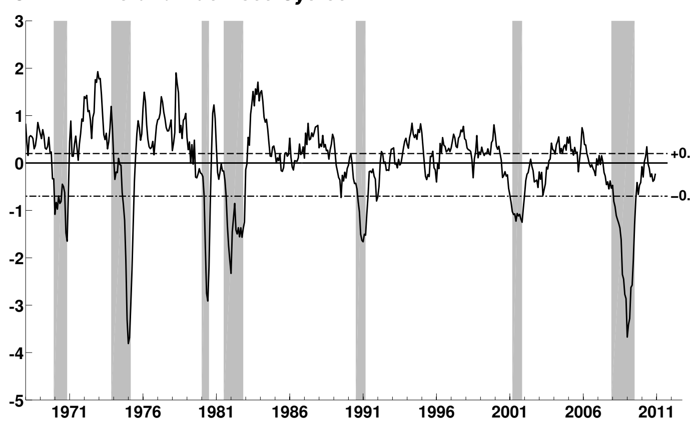
The November monthly index was revised to –0.40 from an initial estimate of –0.46. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The upward revision to the November monthly index was due primarily to differences between the estimates of previously unavailable data and subsequently published data.

CFNAI-MA3 and Inflation Cycles



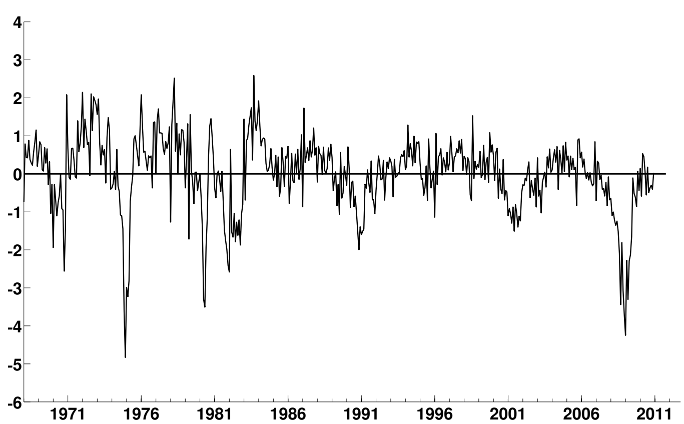
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above +0.70 more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above +1.00 more than two years into an economic 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
February 24, 2011	January 2011
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.