

## 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:

August 22, 2011

8:30 am Eastern Time

7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed National Activity Index

## Index shows economic growth again below average in June

Led by improvements in housing-related indicators, the Chicago Fed National Activity Index increased to  $-0.46$  in June from  $-0.55$  in May; however, the index remained negative for the third consecutive month. Three of the four broad categories of indicators that make up the index improved in June, but only one made a positive contribution to the index.

The index's three-month moving average, CFNAI-MA3, decreased to  $-0.60$  in June from  $-0.31$  in May, reaching its lowest level since October 2009. June's CFNAI-MA3 suggests that growth in national economic activity was below its historical trend. With regard to inflation, the economic slack reflected in June's CFNAI-MA3 suggests subdued inflationary pressure from economic activity over the coming year.

The consumption and housing category contributed  $-0.31$  to the index in June, up from  $-0.42$  in May; the June contribution was the category's highest since March 2010. Housing starts rose to 629,000 annualized units in June from 549,000 in May, and building permits increased to 624,000 annualized units in June from 609,000 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

	Jun '11	May '11	Apr '11	Mar '11	Feb '11	Jan '11	Jun '10
<b>CFNAI</b>							
Current	-0.46	-0.55	-0.78	+0.40	-0.23	+0.21	-0.53
Previous	N/A	-0.37	-0.56	+0.34	-0.25	+0.15	-0.54
<b>CFNAI-MA3</b>							
Current	-0.60	-0.31	-0.20	+0.12	+0.14	+0.15	-0.02
Previous	N/A	-0.19	-0.15	+0.08	+0.12	+0.13	-0.03

Current and Previous values reflect index values as of the July 25, 2011, release and June 23, 2011, release, respectively. N/A indicates not applicable.

The contribution to the index from employment-related indicators decreased to  $-0.15$  in June from  $-0.07$  in May, marking its lowest level since June 2010. Total nonfarm payroll employment rose by only 18,000 in June after increasing by 25,000 in May. Similarly, the unemployment rate increased to 9.2 percent in June from 9.1 percent in May.

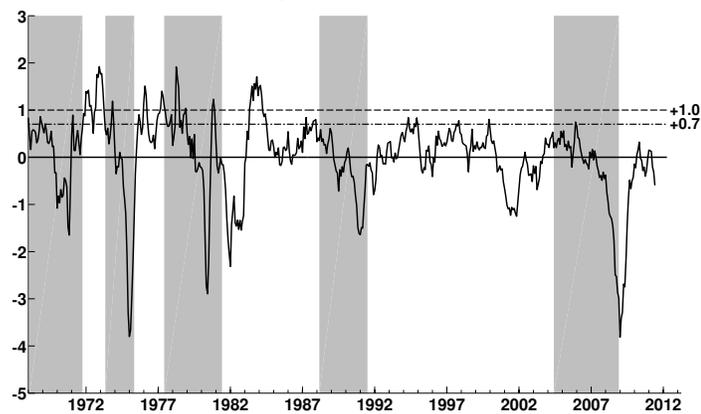
Production-related indicators made a contribution of  $-0.04$  to the index in June, up slightly from  $-0.08$  in May. Industrial production increased 0.2 percent in June after ticking down 0.1 percent in May, but manufacturing capacity utilization remained at 74.4 percent for the third straight month.

The sales, orders, and inventories category made the lone positive contribution to the index in June,  $+0.04$ , up from  $+0.02$  in May. The Institute for Supply Management's Manufacturing Purchasing Managers' Inventories Index increased to 54.1 in June from 48.7 in May.

Forty-one of the 85 individual indicators made positive contributions to the index in June, while 44 made negative contributions. Fifty-two indicators improved from May to June, while 31 indicators deteriorated and two were unchanged. Of the indicators that improved, 21 made negative contributions. The index was constructed using data available as of July 21, 2011. At that time, June data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

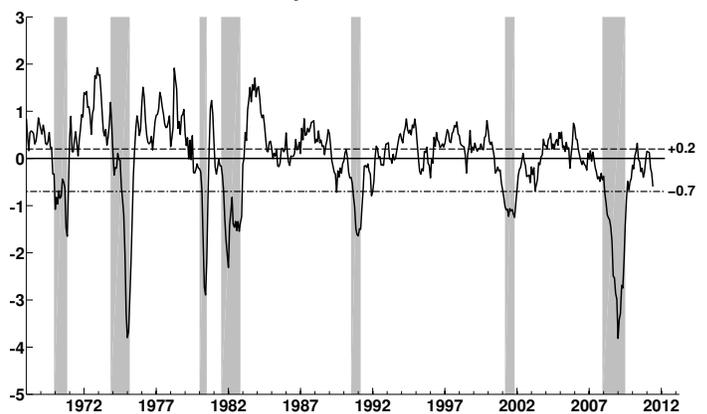
The May monthly index was revised to  $-0.55$  from an initial estimate of  $-0.37$ , and the April monthly index was revised to  $-0.78$  from a previous estimate of  $-0.56$ . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The revision to the May monthly index was due primarily to the former, while the revision to the April monthly index was due primarily to the latter.

### CFNAI-MA3 and Inflation Cycles



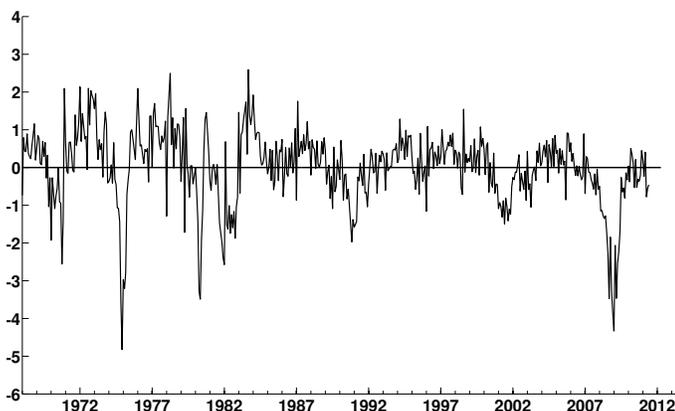
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above  $+0.70$  more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above  $+1.00$  more than two years into 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>
<b>August 22, 2011</b>	<b>July 2011</b>
<b>September 26, 2011</b>	<b>August 2011</b>
<b>October 24, 2011</b>	<b>September 2011</b>
<b>November 21, 2011</b>	<b>October 2011</b>
<b>December 22, 2011</b>	<b>November 2011</b>