

## 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:

November 21, 2011

8:30 am Eastern Time

7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed National Activity Index

## Index shows economic activity improved in September

Led by improvements in employment-related indicators, the Chicago Fed National Activity Index increased to  $-0.22$  in September from  $-0.59$  in August. Contributions from all four broad categories of indicators that make up the index improved from August. However, three of the four were only slightly positive in September.

The index's three-month moving average, CFNAI-MA3, edged up to  $-0.21$  in September from  $-0.28$  in August, but remained negative for the sixth consecutive month. September'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.

Employment-related indicators contributed  $+0.04$  to the index in September, an increase from  $-0.12$  in August. Civilian employment rose 0.3 percent in September after an increase of 0.2 percent in the prior month. However, the unemployment rate was unchanged at 9.1 percent in September.

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



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

	Sep '11	Aug '11	Jul '11	Jun '11	May '11	Apr '11	Sep '10
<b>CFNAI</b>							
Current	-0.22	-0.59	+0.19	-0.43	-0.37	-0.85	-0.27
Previous	N/A	-0.43	+0.02	-0.44	-0.40	-0.84	-0.27
<b>CFNAI-MA3</b>							
Current	-0.21	-0.28	-0.20	-0.55	-0.26	-0.22	-0.15
Previous	N/A	-0.28	-0.27	-0.56	-0.27	-0.22	-0.16

Current and Previous values reflect index values as of the October 24, 2011, release and September 26, 2011, release, respectively. N/A indicates not applicable.

Production-related indicators made a contribution of +0.02 to the index in September, up from -0.06 in August. Industrial production edged up 0.2 percent in September after remaining flat in August. Manufacturing production rose 0.4 percent in September after increasing 0.3 percent in August. Additionally, manufacturing capacity utilization edged up to 75.1 percent in September.

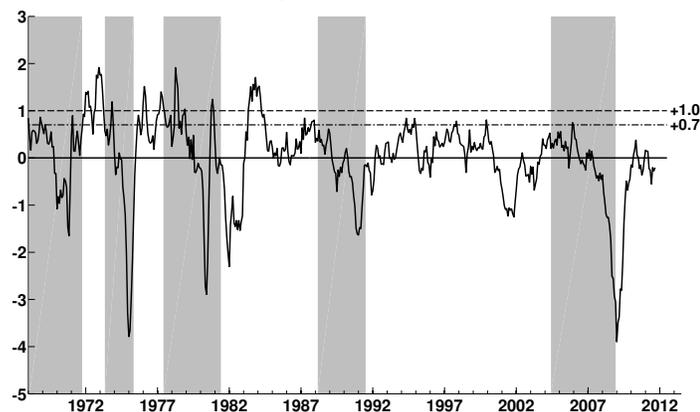
The contribution from the consumption and housing category to the index rose to -0.30 in September from -0.38 in August. Housing starts improved to 658,000 annualized units in September from 572,000 in August. Conversely, housing permits decreased to 594,000 annualized units from 625,000 over the same period. The sales, orders, and inventories category contributed +0.01 to the index in September, up slightly from -0.03 in August.

Thirty-nine of the 85 individual indicators made positive contributions to the index in September, while 46 made negative contributions.

Fifty-six indicators improved from August to September, while 27 indicators deteriorated and two were unchanged. Of the indicators that improved, 28 made negative contributions. The index was constructed using data available as of October 20, 2011. At that time, September data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

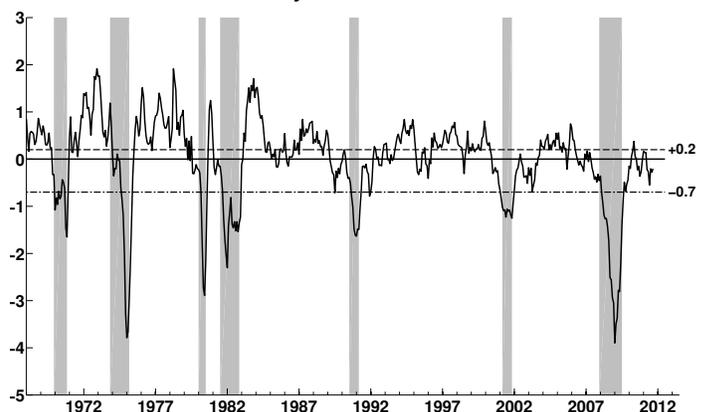
The August monthly index was revised to -0.59 from an initial estimate of -0.43. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The revision to the August monthly index was due primarily to the latter.

### CFNAI-MA3 and Inflation Cycles



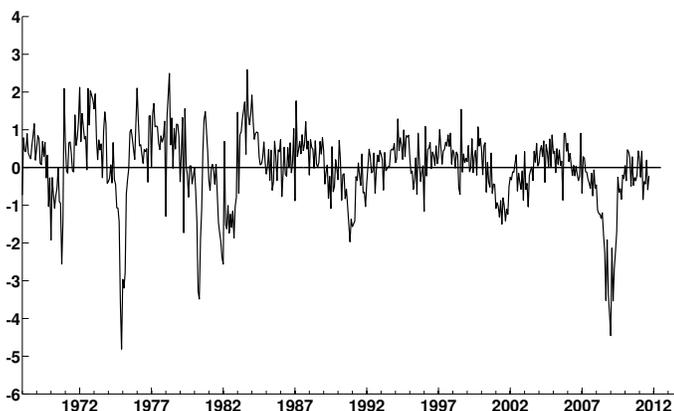
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above +0.70 more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above +1.00 more than two years into an economic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