

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
December 21, 2012

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What is the National Activity Index?

The index is a weighted average of 85 indicators of national economic activity 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 three index values?

Each month, we provide a monthly index, its three-month moving average, and a diffusion index. Month-to-month movements can be volatile, so the monthly index's three-month moving average, the CFNAI-MA3, provides a more consistent picture of national economic growth. The CFNAI Diffusion Index captures the degree to which a change in the monthly index is spread out among its 85 indicators, averaged over a three-month period.

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:
January 22, 2013
8:30 am Eastern Time
7:30 am Central Time

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Chicago Fed National Activity Index

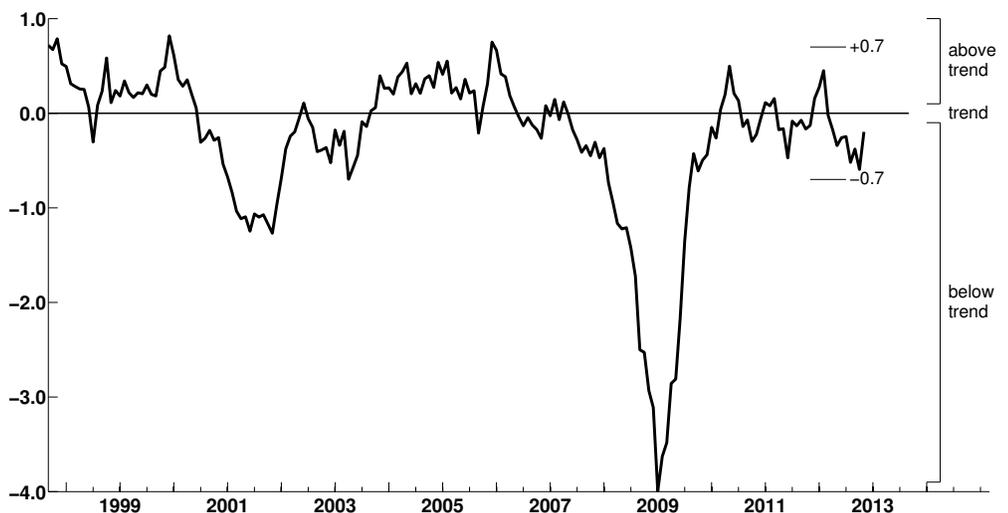
Index shows economic activity increased in November

Led by improvements in production-related indicators, the Chicago Fed National Activity Index (CFNAI) increased to $+0.10$ in November from -0.64 in October. Two of the four broad categories of indicators that make up the index increased from October, but only the production and income category made a positive contribution to the index in November.

The index's three-month moving average, CFNAI-MA3, increased from -0.59 in October to -0.20 in November—its ninth consecutive reading below zero. November's CFNAI-MA3 suggests that growth in national economic activity was below its historical trend. The economic growth reflected in this level of the CFNAI-MA3 suggests subdued inflationary pressure from economic activity over the coming year.

The CFNAI Diffusion Index also moved up in November, increasing to -0.15 from -0.31 in October. Thirty-nine of the 85 individual indicators made positive contributions to the CFNAI in November, while 46 made negative contributions. Forty-four indicators improved from October to November, while 41 indicators deteriorated. Of the indicators that improved, 13 made negative contributions.

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



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

	Nov '12	Oct '12	Sep '12	Aug '12	Jul '12	Jun '12	Nov '11
CFNAI							
Current	+0.10	-0.64	-0.06	-1.09	+0.01	-0.48	-0.29
Previous	N/A	-0.56	0.00	-1.13	+0.05	-0.49	-0.29
CFNAI-MA3							
Current	-0.20	-0.59	-0.38	-0.52	-0.25	-0.26	-0.13
Previous	N/A	-0.56	-0.36	-0.52	-0.23	-0.26	-0.13
CFNAI Diffusion							
Current	-0.15	-0.31	-0.19	-0.25	-0.08	-0.07	0.00
Previous	N/A	-0.32	-0.14	-0.24	-0.07	-0.09	0.00

Current and Previous values reflect index values as of the December 21, 2012, release and November 26, 2012, release, respectively. N/A indicates not applicable.

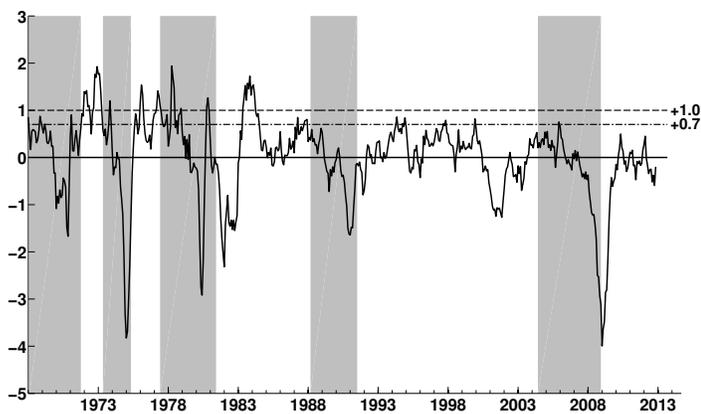
Production-related indicators contributed +0.41 to the CFNAI in November, up from -0.54 in October. This increase largely reflects the recovery of industrial production from the effects of Hurricane Sandy. Total industrial production increased 1.1 percent in November after decreasing 0.7 percent in October, and manufacturing capacity utilization rose to 76.6 percent in November from 75.9 percent in the previous month.

Employment-related indicators contributed -0.06 to the CFNAI in November, down from +0.10 in October. Private nonfarm payrolls increased by 147,000 in November after rising by 187,000 in October, while the unemployment rate ticked down to 7.7 percent in November from 7.9 percent in the previous month. The contribution from the sales, orders, and inventories category to the CFNAI also decreased in November, moving down to -0.06 from +0.04 in October.

The contribution from the consumption and housing category to the CFNAI increased to -0.19 in November from -0.25 in October. Housing permits increased to their highest level in over four years, at 899,000 annualized units in November, up from 868,000 in October. However, housing starts decreased to 861,000 annualized units in November from 888,000 in the previous month.

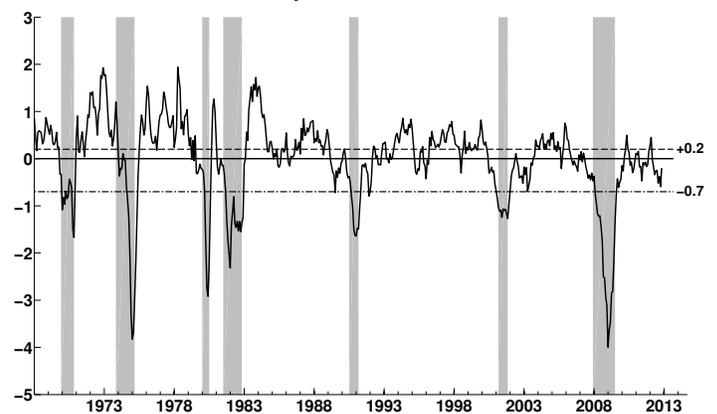
The CFNAI was constructed using data available as of December 20, 2012. At that time, November data for 51 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index. The October monthly index was revised to -0.64 from an initial estimate of -0.56. Revisions 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 October monthly index was due primarily to the former.

CFNAI-MA3 and Inflation Cycles



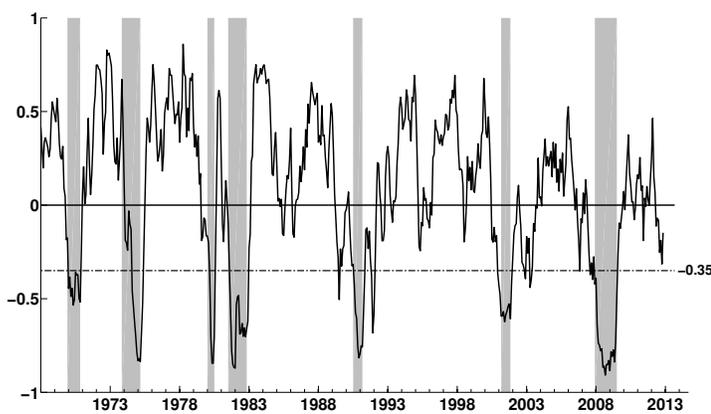
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above +0.70 more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above +1.00 more than two years into an economic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



Notes: Shading indicates official periods of recession as identified by the National Bureau of Economic Research. The CFNAI Diffusion Index represents the sum of the absolute values of the weights for the underlying indicators whose contribution to the CFNAI is positive in a given month less the sum of the absolute values of the weights for those indicators whose contribution is negative or neutral in a given month. Periods of economic expansion have historically been associated with values of the three-month moving average of the CFNAI Diffusion Index above -0.35.

CFNAI, Monthly Index

