

News Release

Embargoed for release:

8:30 am Eastern Time

7:30 am Central Time

November 26, 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:

December 21, 2012

8:30 am Eastern Time

7:30 am Central Time

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Chicago Fed National Activity Index

Index shows slower economic activity in October

Led by declines in production-related indicators, the Chicago Fed National Activity Index (CFNAI) decreased to -0.56 in October from 0.00 in September. All four broad categories of indicators that make up the index decreased from September, and only two made positive contributions to the index in October.

The index's three-month moving average, CFNAI-MA3, decreased from -0.36 in September to -0.56 in October—its eighth consecutive reading below zero. October'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 down in October, decreasing to -0.32 from -0.14 in September. Thirty-one of the 85 individual indicators made positive contributions to the CFNAI in October, while 54 made negative contributions. Thirty-three indicators improved from September to October, while 51 indicators deteriorated and one was unchanged. 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

	Oct '12	Sep '12	Aug '12	Jul '12	Jun '12	May '12	Oct '11
CFNAI							
Current	-0.56	0.00	-1.13	+0.05	-0.49	-0.26	+0.07
Previous	N/A	0.00	-1.17	+0.07	-0.48	-0.22	+0.07
CFNAI-MA3							
Current	-0.56	-0.36	-0.52	-0.23	-0.26	-0.34	-0.17
Previous	N/A	-0.37	-0.53	-0.21	-0.24	-0.33	-0.17
CFNAI Diffusion							
Current	-0.32	-0.14	-0.24	-0.07	-0.09	-0.11	+0.03
Previous	N/A	-0.18	-0.27	-0.07	-0.08	-0.11	+0.03

Current and Previous values reflect index values as of the November 26, 2012, release and October 25, 2012, release, respectively. N/A indicates not applicable.

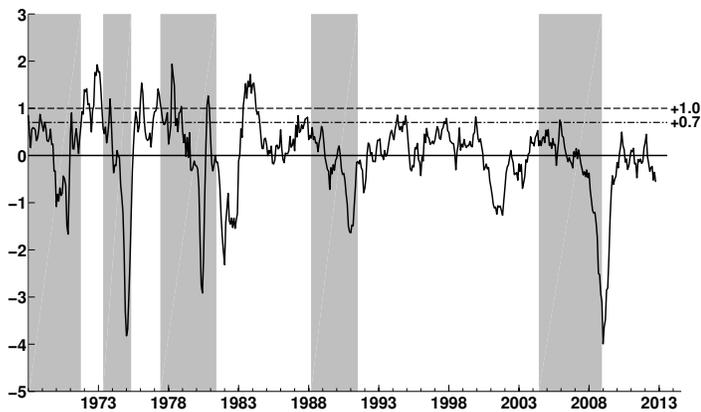
Production-related indicators contributed -0.45 to the CFNAI in October, down from -0.06 in September. Hurricane Sandy negatively affected industrial production in October. Manufacturing production decreased 0.9 percent in October after increasing 0.1 percent in September, and manufacturing capacity utilization declined to 75.9 percent in October from 76.7 percent in the previous month.

Employment-related indicators contributed $+0.07$ to the CFNAI in October, down from $+0.13$ in September. The unemployment rate ticked up to 7.9 percent in October from 7.8 percent in September; but nonfarm payrolls increased 171,000 in October, compared with 148,000 in September. The contribution from the sales, orders, and inventories category to the CFNAI also decreased in October, moving down to $+0.01$ from $+0.10$ in September.

The contribution from the consumption and housing category to the CFNAI decreased to -0.19 in October from -0.17 in September. Housing starts increased from 863,000 annualized units in September to 894,000 in October—their highest level since July 2008. However, housing permits declined from 890,000 annualized units in September to 866,000 in October.

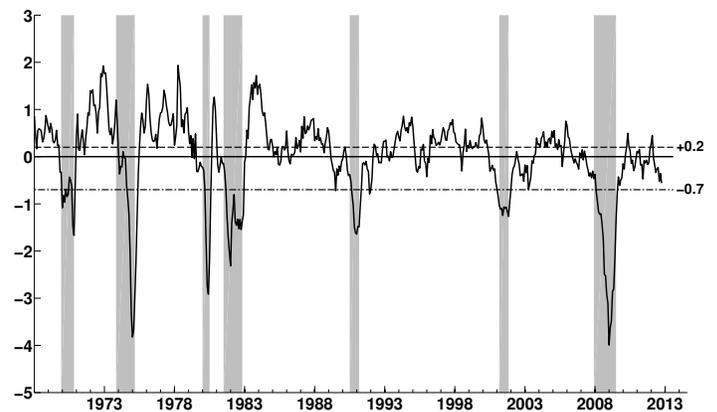
The CFNAI was constructed using data available as of November 21, 2012. At that time, October data for 51 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. There was no revision to the initial estimate of 0.00 for the September monthly index.

CFNAI-MA3 and Inflation Cycles



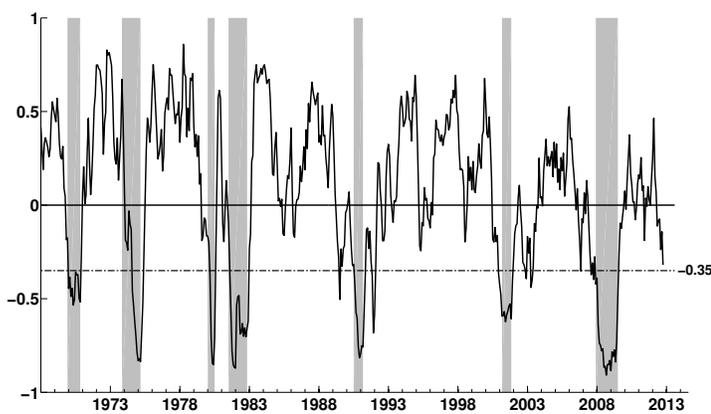
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above $+0.70$ more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above $+1.00$ more than two years into an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

