

## 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 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 (in standard deviation units); 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:  
March 20, 2017  
8:30 am Eastern Time  
7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed National Activity Index

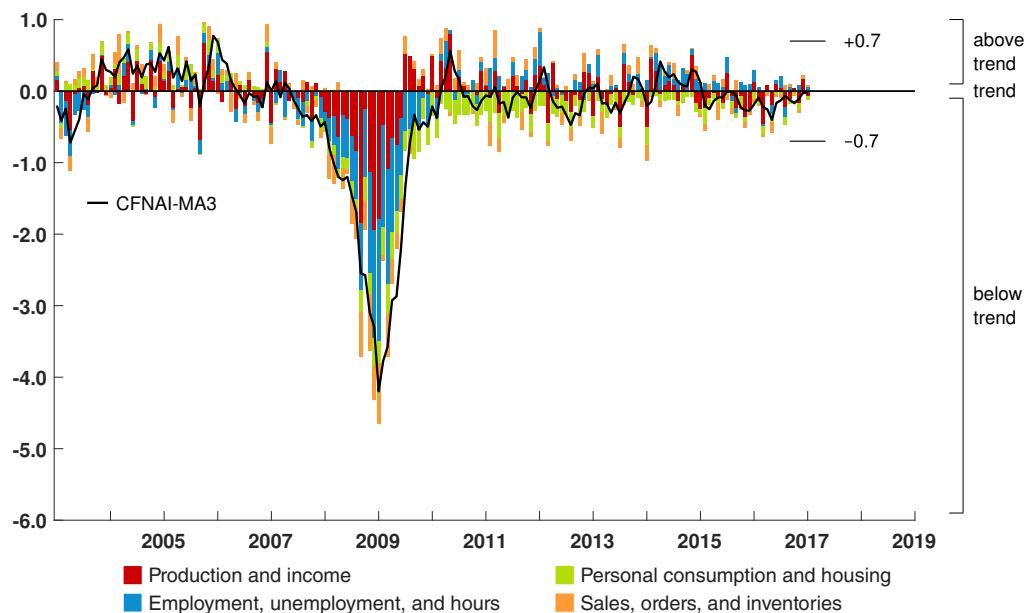
## Index shows economic growth decreased in January

*Led by declines in production-related indicators, the Chicago Fed National Activity Index (CFNAI) decreased to  $-0.05$  in January from  $+0.18$  in December. Three of the four broad categories of indicators that make up the index decreased from December, and two of the four categories made negative contributions to the index in January.*

The index's three-month moving average, CFNAI-MA3, edged down to  $-0.03$  in January from  $-0.02$  in December. January's CFNAI-MA3 suggests that growth in national economic activity was near its historical trend. The economic growth reflected in this level of the CFNAI-MA3 suggests limited inflationary pressure from economic activity over the coming year.

The CFNAI Diffusion Index, which is also a three-month moving average, ticked down to  $-0.04$  in January from  $-0.03$  in December. Thirty-six of the 85 individual indicators made positive contributions to the CFNAI in January, while 49 made negative contributions. Thirty-nine indicators improved from December to January, while 45 indicators deteriorated and one was unchanged. Of the indicators that improved, 14 made negative contributions.

Chicago Fed National Activity Index, by Categories, and CFNAI-MA3



### CFNAI, CFNAI-MA3, and CFNAI Diffusion for the Latest Six Months and Year-Ago Month

|                        | Jan '17 | Dec '16 | Nov '16 | Oct '16 | Sep '16 | Aug '16 | Jan '16 |
|------------------------|---------|---------|---------|---------|---------|---------|---------|
| <b>CFNAI</b>           |         |         |         |         |         |         |         |
| Current                | -0.05   | +0.18   | -0.22   | -0.02   | -0.09   | -0.40   | +0.12   |
| Previous               | N/A     | +0.14   | -0.33   | -0.01   | -0.08   | -0.43   | +0.14   |
| <b>CFNAI-MA3</b>       |         |         |         |         |         |         |         |
| Current                | -0.03   | -0.02   | -0.11   | -0.17   | -0.12   | -0.07   | -0.19   |
| Previous               | N/A     | -0.07   | -0.14   | -0.17   | -0.14   | -0.10   | -0.16   |
| <b>CFNAI Diffusion</b> |         |         |         |         |         |         |         |
| Current                | -0.04   | -0.03   | -0.07   | -0.17   | -0.09   | -0.02   | -0.14   |
| Previous               | N/A     | -0.06   | -0.06   | -0.17   | -0.10   | -0.05   | -0.13   |

Current and Previous values reflect index values as of the February 23, 2017, release and January 26, 2017, release, respectively. N/A indicates not applicable.

The contribution from production-related indicators to the CFNAI fell to  $-0.07$  in January from  $+0.18$  in December. Total industrial production decreased 0.3 percent in January after increasing 0.6 percent in December, but manufacturing production increased 0.2 percent for the second consecutive month in January.

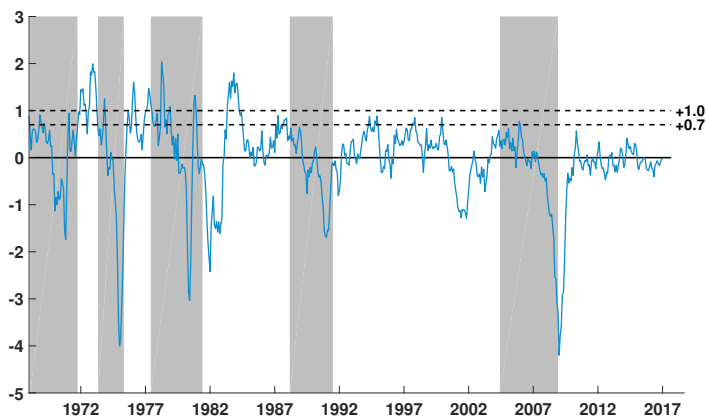
The contribution of the personal consumption and housing category to the CFNAI decreased to  $-0.05$  in January from  $-0.03$  in December. Housing starts decreased to 1,246,000 annualized units in January from 1,279,000 in December, but housing permits increased to 1,285,000 annualized units in January from 1,228,000 in the previous month.

Employment-related indicators contributed  $+0.06$  to the CFNAI in January, up from  $-0.01$  in December. Nonfarm payrolls rose by 227,000 in January after increasing by 157,000 in the previous month, but the civilian unemployment rate edged up to 4.8 percent in January from 4.7 percent in December.

The sales, orders, and inventories category made a contribution of  $+0.02$  to the CFNAI in January, down slightly from  $+0.04$  in December.

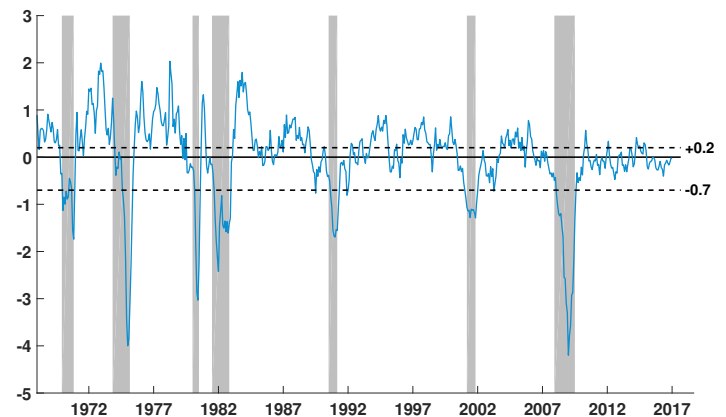
The CFNAI was constructed using data available as of February 17, 2017. At that time, January data for 51 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index. The December monthly index value was revised to  $+0.18$  from an initial estimate of  $+0.14$ , and the November monthly index value was revised to  $-0.22$  from last month's estimate of  $-0.33$ . Revisions to the monthly index value 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 December monthly index value was primarily due to the latter, while the revision to the November monthly index value was primarily due to the former.

### CFNAI-MA3 and Inflation Cycles



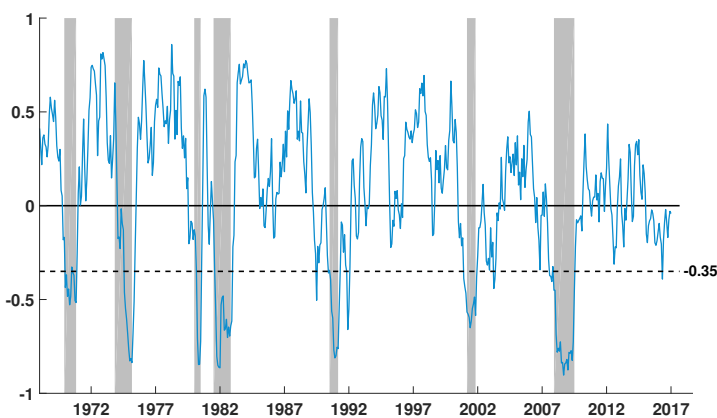
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above  $+0.70$  more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above  $+1.00$  more than two years into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

### CFNAI-MA3 and Business Cycles



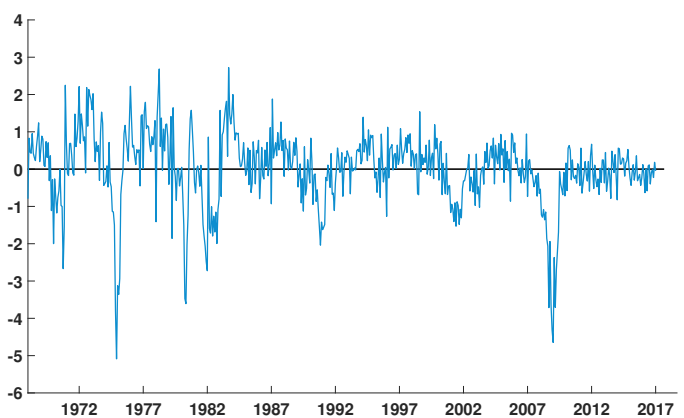
Notes: Shading indicates official periods of recession as identified by the National Bureau of Economic Research. A CFNAI-MA3 value below  $-0.70$  following a period of economic expansion indicates an increasing likelihood that a recession has begun. A CFNAI-MA3 value above  $-0.70$  following a period 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



Notes: Shading indicates official periods of recession as identified by the National Bureau of Economic Research. The CFNAI Diffusion Index represents the three-month moving average of 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 CFNAI Diffusion Index above  $-0.35$ .

### CFNAI, Monthly Index



**CFNAI release dates, historical data, and background information are available at [chicagofed.org/cfnai](http://chicagofed.org/cfnai).**