

## 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.

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:

September 28, 2009  
8:30 am Eastern Time  
7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed *National Activity Index*

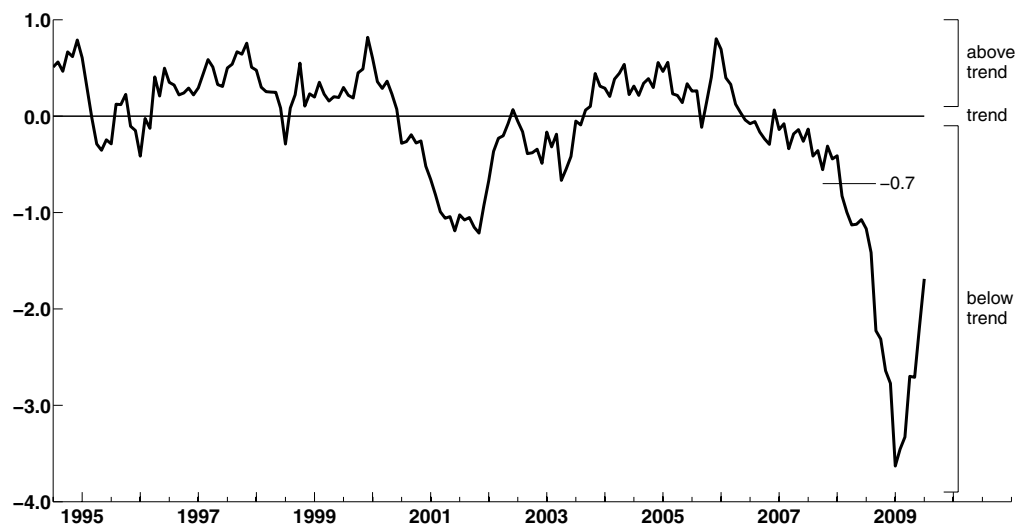
## Index shows further improvement in economic activity in July

*The Chicago Fed National Activity Index was  $-0.74$  in July, up from  $-1.82$  in June. All four broad categories of indicators improved in July, while three of the four continued to make negative contributions to the index. Production-related indicators made a positive contribution to the index for the first time since October 2008 and for only the second time since December 2007.*

The three-month moving average, CFNAI-MA3, was  $-1.69$  in July, up from  $-2.18$  in the previous month. July's CFNAI-MA3 suggests that growth in national economic activity was below its historical trend. With regard to inflation, the amount of economic slack reflected in the CFNAI-MA3 indicates low inflationary pressure from economic activity over the coming year.

The improvement in the index in July was due in large part to the production and income category of indicators. This category made a contribution of  $+0.26$  to the index in July compared with  $-0.38$  in June. Manufacturing production increased 1.0 percent in July, its biggest

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



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

	Jul '09	Jun '09	May '09	Apr '09	Mar '09	Feb '09	Jul '08
<b>CFNAI</b>							
Current	-0.74	-1.82	-2.50	-2.23	-3.40	-2.47	-1.29
Previous	N/A	-1.80	-2.30	-2.25	-3.39	-2.47	-1.28
<b>CFNAI-MA3</b>							
Current	-1.69	-2.18	-2.71	-2.70	-3.33	-3.46	-1.17
Previous	N/A	-2.12	-2.65	-2.70	-3.30	-3.45	-1.14

Current and Previous values reflect index values as of the August 20, 2009, release and June 26, 2009, release, respectively. N/A indicates not applicable.

increase since December 2006, following a decline of 0.5 percent in the previous month. In addition, manufacturing capacity utilization increased to 65.4 in July from 64.7 in June.

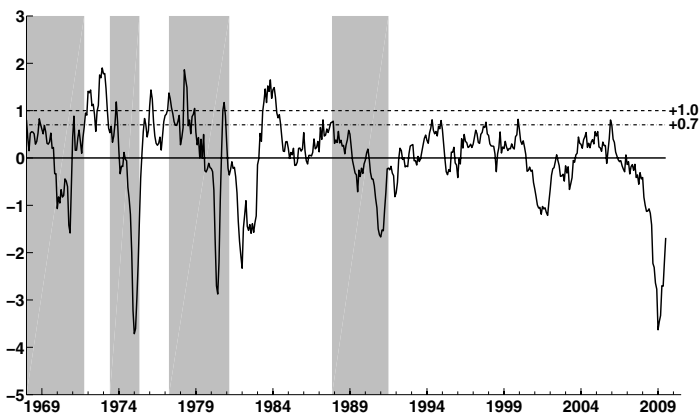
Employment-related indicators also improved substantially in July, making a contribution of  $-0.40$  to the index versus  $-0.73$  in June. Total nonfarm payroll employment decreased 247,000 in July after declining 443,000 in the previous month, and average weekly initial unemployment insurance claims in July declined by 59,600 from June.

The consumption and housing category's contribution to the index improved in July to  $-0.49$ , following a contribution of  $-0.54$  in June. Housing starts decreased slightly to 581,000 annualized units in July from 587,000 in the previous month. However, in the Midwest housing starts increased to 114,000 annualized units in July from 101,000 in June. The sales, orders, and inventories category also improved in July, contributing  $-0.10$  compared with  $-0.17$  in June.

Thirty-five of the 85 individual indicators made positive contributions to the index in July, while 50 made negative contributions. Sixty-one indicators improved from June to July, while 23 indicators deteriorated. Of the indicators that improved, 31 made negative contributions. The index was constructed using data available as of August 20, 2009. At that time, July data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

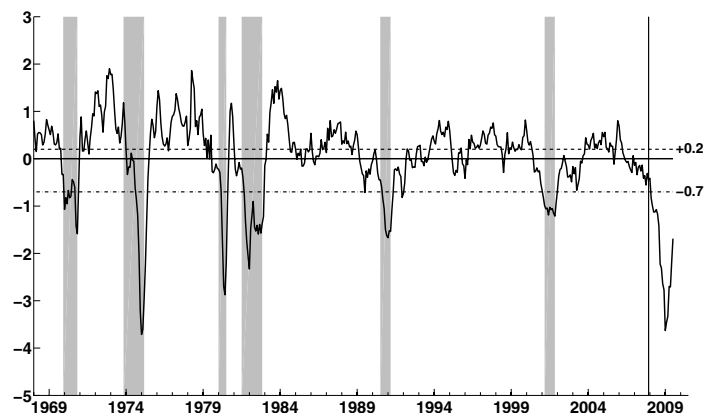
The June monthly index was revised to  $-1.82$  from an initial estimate of  $-1.80$ . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The slight downward revision to the June monthly index was due primarily to differences between the estimates of previously unavailable data and subsequently published data.

### CFNAI-MA3 and Inflation Cycles



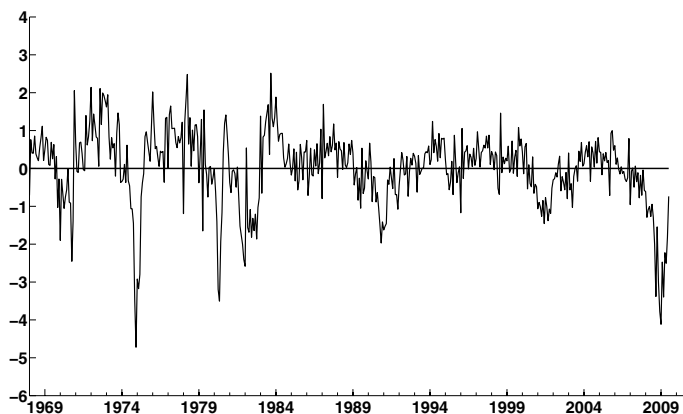
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above  $+0.70$  more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above  $+1.00$  more than two years into 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; the vertical line indicates the most recent business cycle peak. 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  $+0.20$  following a period of economic contraction indicates a significant likelihood that a recession has ended.

### CFNAI, Monthly Index



### 2009 CFNAI Release Dates

Date of Release	Monthly Data for
September 28, 2009	August 2009
October 26, 2009	September 2009
November 23, 2009	October 2009
December 21, 2009	November 2009