

## News Release

Embargoed for release:  
8:30 am Eastern Time  
7:30 am Central Time  
February 23, 2009

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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:

March 23, 2009  
8:30 am Eastern Time  
7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed *National Activity Index*

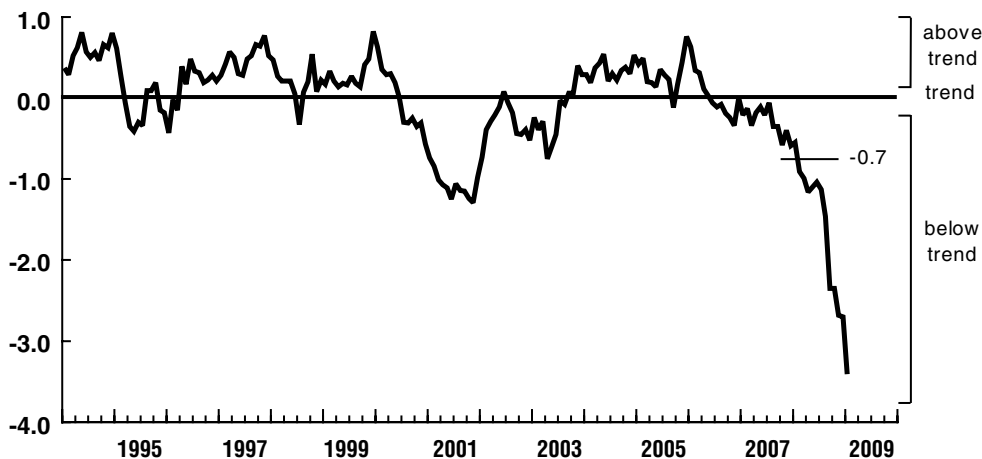
## Index shows economic activity remained low in January

*The Chicago Fed National Activity Index was  $-3.45$  in January, up slightly from  $-3.65$  in December. All four broad categories of indicators made negative contributions to the index in January.*

The three-month moving average, CFNAI-MA3, decreased to  $-3.41$  in January from  $-2.70$  in the previous month, reaching its lowest level since 1975. January's CFNAI-MA3 suggests that growth in national economic activity was well below its historical trend. With regard to inflation, it indicates little inflationary pressure from economic activity over the coming year.

The production and income category of indicators made a large negative contribution of  $-1.35$  to the index in January after contributing  $-1.53$  in December. Total industrial production decreased 1.8 percent in January after declining 2.4 percent in the previous month. In particular, manufacturing production of durable goods declined 4.8 percent in January, marking its largest one-month decline since December 1974.

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



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

	Jan '09	Dec '08	Nov '08	Oct '08	Sep '08	Aug '08	Jan '08
<b>CFNAI</b>							
Current	-3.45	-3.65	-3.13	-1.34	-3.56	-2.16	-0.55
Previous	N/A	-3.26	-2.78	-1.16	-3.74	-2.14	-0.56
<b>CFNAI-MA3</b>							
Current	-3.41	-2.70	-2.68	-2.35	-2.35	-1.46	-0.55
Previous	N/A	-2.40	-2.56	-2.35	-2.39	-1.43	-0.64

Current and Previous values reflect index values as of the February 23, 2009, release and January 26, 2009, release, respectively. N/A indicates not applicable.

Employment-related indicators also made a large negative contribution of  $-1.35$  to the index in January after contributing  $-1.29$  in the previous month. Total nonfarm payroll employment declined by 598,000 in January after decreasing 577,000 in December; and the unemployment rate rose to 7.6 percent in January from 7.2 percent in the previous month.

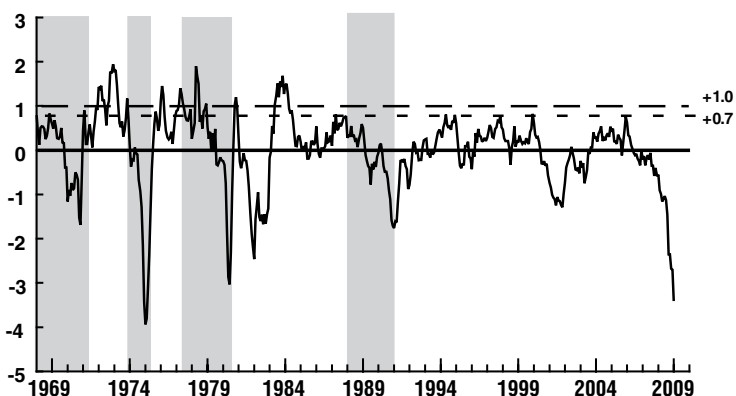
The consumption and housing category made a contribution of  $-0.62$  to the index in January, following a contribution of  $-0.64$  in December. Housing starts declined 16.8 percent in January after decreasing 14.5 percent in December; and building permits decreased 4.8 percent in January after declining 11.1 percent in the previous month. The sales, orders, and inventories category also made a negative contribution of  $-0.13$  in January.

Twenty-three of the 85 individual indicators made positive contributions to the index in January, while 62 made negative contributions.

Fifty indicators improved from December to January, while 34 indicators deteriorated. Of the improved indicators, 29 made negative contributions. The index was constructed using data available as of February 19, 2009. At that time, January data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

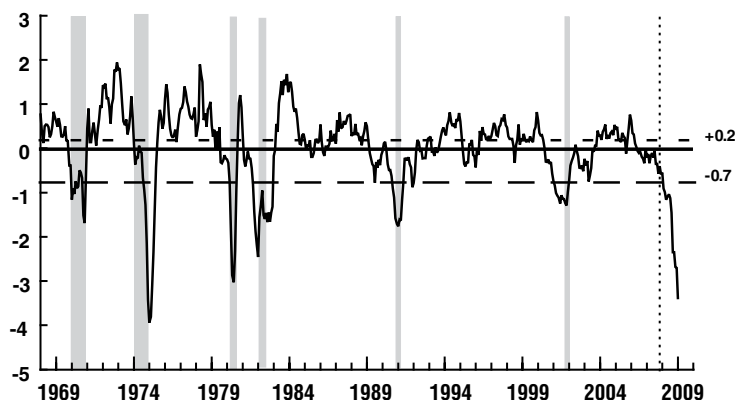
The December monthly index was revised down to  $-3.65$  from an initial estimate of  $-3.26$ . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The downward revision to the December monthly index was primarily due to revisions in previously published data.

### CFNAI-MA3 and Inflation Cycles



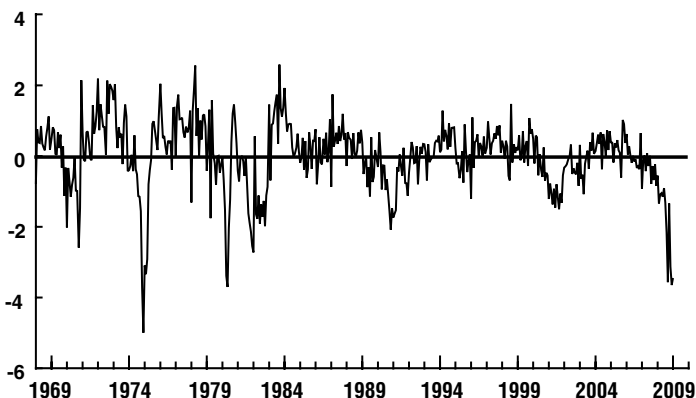
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above  $+0.70$  more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above  $+1.00$  more than two years into 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 dashed 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
March 23, 2009	February 2009
April 20, 2009	March 2009
May 26, 2009	April 2009
June 29, 2009	May 2009
July 21, 2009	June 2009
August 24, 2009	July 2009
September 28, 2009	August 2009
October 26, 2009	September 2009
November 23, 2009	October 2009
December 21, 2009	November 2009