

## 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:

February 23, 2009

8:30 am Eastern Time

7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed *National Activity Index*

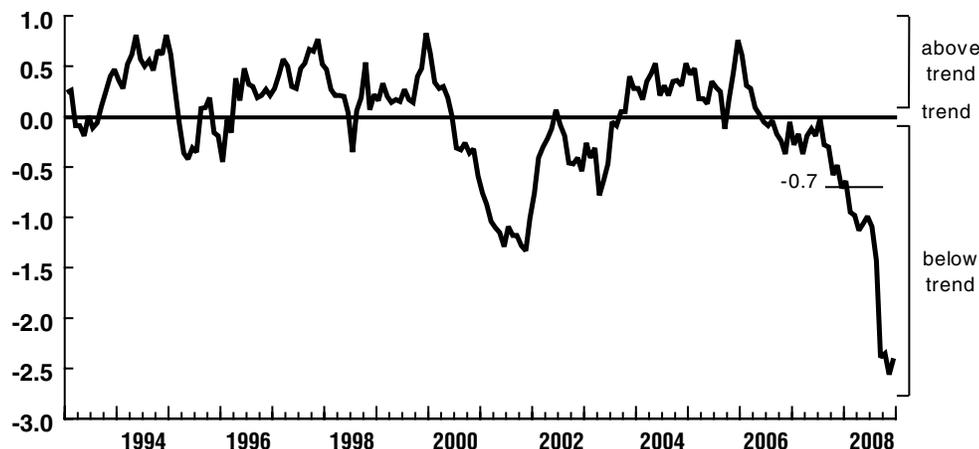
## Index shows economic activity decreased further in December

The Chicago Fed National Activity Index was  $-3.26$  in December, down from  $-2.78$  in November. All four broad categories of indicators made negative contributions to the index in December.

The three-month moving average, CFNAI-MA3, increased slightly to  $-2.40$  in December from  $-2.56$  in the previous month. With recent revisions, the three-month moving average reached its lowest value since 1980 in November. December's CFNAI-MA3 suggests that growth in national economic activity was well below its historical trend. It also indicates little inflationary pressure from economic activity over the coming year.

The production and income category of indicators made a large negative contribution of  $-1.32$  to the index in December, following a contribution of  $-1.06$  in November. Total industrial production declined 2.0 percent in December after decreasing 1.3 percent in the previous month. In addition, manufacturing capacity utilization declined to its lowest level since 1983—at 70.2 percent in December from 71.9 percent in November.

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



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

	Dec '08	Nov '08	Oct '08	Sep '08	Aug '08	Jul '08	Dec '07
<b>CFNAI</b>							
Current	-3.26	-2.78	-1.16	-3.74	-2.14	-1.30	-0.96
Previous	N/A	-2.47	-1.27	-3.74	-2.19	-1.28	-1.03
<b>CFNAI-MA3</b>							
Current	-2.40	-2.56	-2.35	-2.39	-1.43	-1.09	-0.71
Previous	N/A	-2.49	-2.40	-2.40	-1.43	-1.07	-0.74

Current and Previous values reflect index values as of the January 26, 2009, release and December 22, 2008, release, respectively. N/A indicates not applicable.

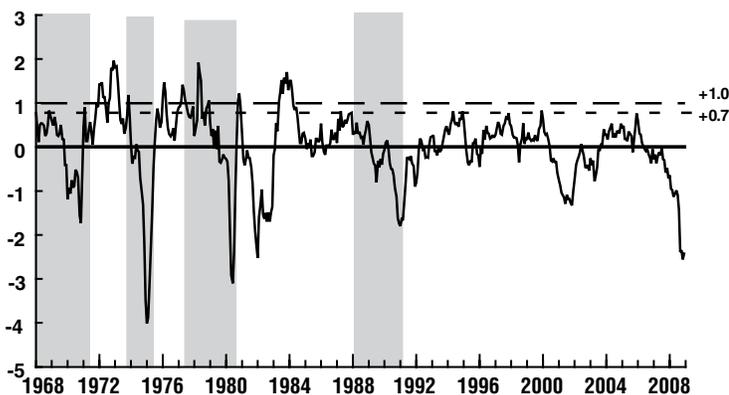
Employment-related indicators also made a large negative contribution of  $-1.19$  to the index in December after contributing  $-1.04$  in the previous month. Total nonfarm payroll employment decreased by 524,000 in December after declining 584,000 in November; and the unemployment rate rose to 7.2 percent in December from 6.8 percent in the previous month.

The consumption and housing category made a contribution of  $-0.55$  to the index in December, following a contribution of  $-0.45$  in November. Housing starts declined 15.5 percent in December after decreasing 15.1 percent in November. The sales, orders, and inventories category also made a negative contribution of  $-0.20$  in December after contributing  $-0.24$  in November. The Institute for Supply Management's Manufacturing Purchasing Managers' New Orders Index reached its lowest point on record in December, with the index falling to 23.1 from 28.1 in November.

Fifteen of the 85 individual indicators made positive contributions to the index in December, while 70 made negative contributions. Thirty-three indicators improved from November to December, while 52 indicators deteriorated. Of the improved indicators, 25 made negative contributions. The index was constructed using data available as of January 22, 2009. At that time, December data for 50 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

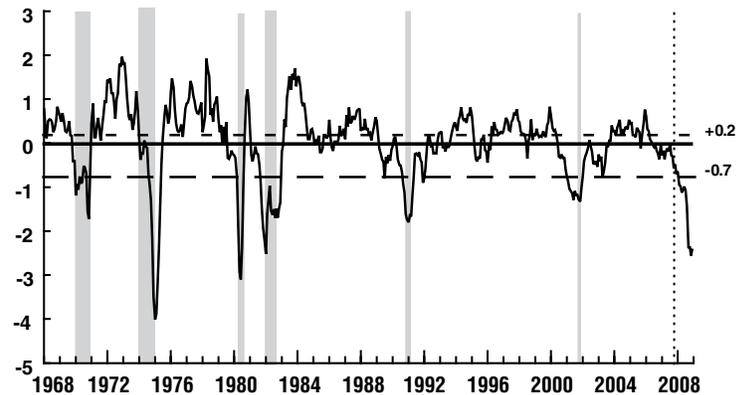
The November monthly index was revised down to  $-2.78$  from an initial estimate of  $-2.47$ . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The downward revision to the November monthly index was primarily due to revisions in previously published data.

### CFNAI-MA3 and Inflation Cycles



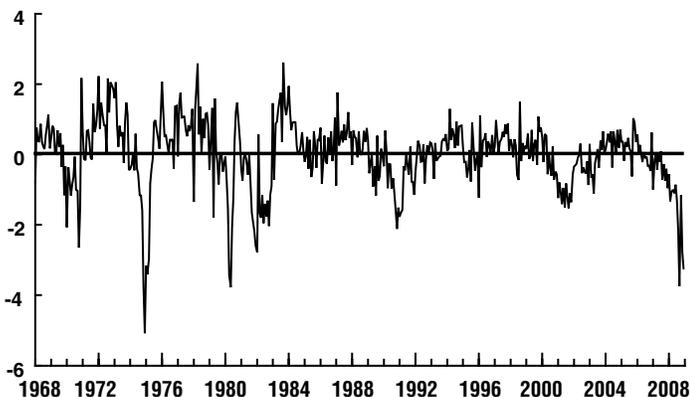
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above  $+0.70$  more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above  $+1.00$  more than two years into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

<i>Date of Release</i>	<i>Monthly Data for</i>
<i>February 23, 2009</i>	<i>January 2009</i>
<i>March 23, 2009</i>	<i>February 2009</i>
<i>April 20, 2009</i>	<i>March 2009</i>
<i>May 26, 2009</i>	<i>April 2009</i>
<i>June 29, 2009</i>	<i>May 2009</i>
<i>July 21, 2009</i>	<i>June 2009</i>
<i>August 24, 2009</i>	<i>July 2009</i>
<i>September 28, 2009</i>	<i>August 2009</i>
<i>October 26, 2009</i>	<i>September 2009</i>
<i>November 23, 2009</i>	<i>October 2009</i>
<i>December 21, 2009</i>	<i>November 2009</i>