

## News Release

Embargoed for release:

8:30 am Eastern Time

7:30 am Central Time

May 26, 2009

### Contact:

Laura LaBarbera

Media Relations

Federal Reserve Bank of Chicago

312-322-2387

### 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:

June 29, 2009

8:30 am Eastern Time

7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed *National Activity Index*

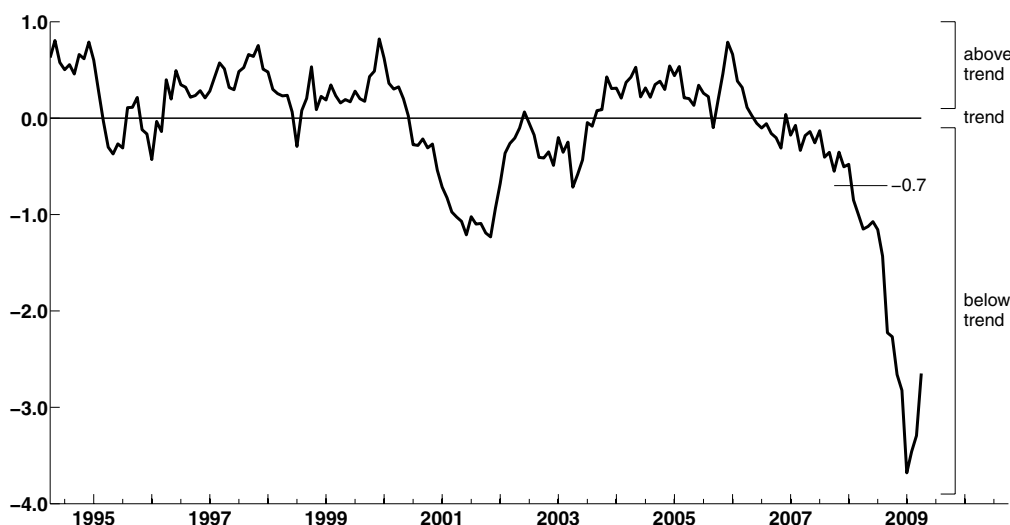
## Index shows economic activity improved in April

*The Chicago Fed National Activity Index was  $-2.06$  in April, up from  $-3.36$  in March. All four broad categories of indicators improved in April, but each continued to make a negative contribution to the index. The index's three-month moving average in April reached its highest level since October 2008.*

The three-month moving average, CFNAI-MA3, increased to  $-2.65$  in April from  $-3.29$  in the previous month, improving for the third consecutive month. April's CFNAI-MA3 suggests that growth in national economic activity was below its historical trend. With regard to inflation, it indicates low inflationary pressure from economic activity over the coming year.

The increase in the index was primarily due to the production and income category. This category of indicators made a much smaller negative contribution of  $-0.35$  to the index in April compared with  $-1.09$  in March. Total industrial production decreased 0.5 percent in April after declining 1.7 percent in the previous month.

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



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

	Apr '09	Mar '09	Feb '09	Jan '09	Dec '08	Nov '08	Apr '08
<b>CFNAI</b>							
Current	-2.06	-3.36	-2.53	-3.99	-3.85	-3.19	-1.06
Previous	N/A	-2.96	-2.82	-4.03	-3.84	-3.19	-1.06
<b>CFNAI-MA3</b>							
Current	-2.65	-3.29	-3.46	-3.68	-2.82	-2.66	-1.15
Previous	N/A	-3.27	-3.57	-3.69	-2.82	-2.67	-1.16

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

Employment-related indicators also improved, with a contribution of  $-0.95$  to the index in April compared with  $-1.44$  in the previous month. Total nonfarm payroll employment decreased by 539,000 in April, after declining 699,000 in March.

The consumption and housing category made a contribution of  $-0.60$  to the index in April following a contribution of  $-0.63$  in March. Housing starts decreased to 458,000 annualized units in April from 525,000 in the previous month.

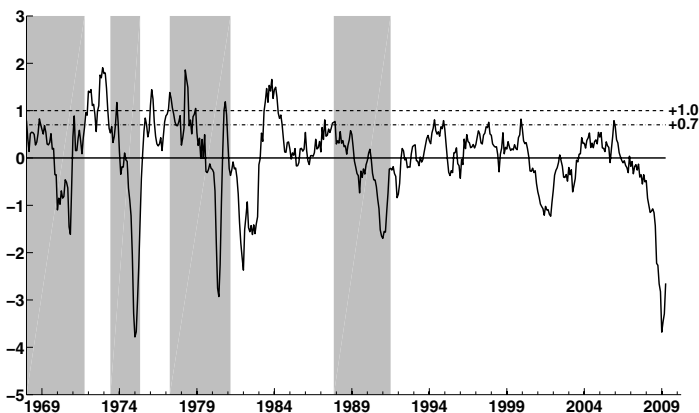
The sales, orders, and inventories category also made a negative contribution of  $-0.15$  in April. The Institute for Supply Management's Manufacturing Purchasing Managers' New Orders Index increased to 47.2 in April from 41.2 in March.

Twenty-two of the 85 individual indicators made positive contributions to the index in April, while 63 made negative contributions.

Sixty-three indicators improved from March to April, while 21 indicators deteriorated. Of the improved indicators, 44 made negative contributions. The index was constructed using data available as of May 21, 2009. At that time, April data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

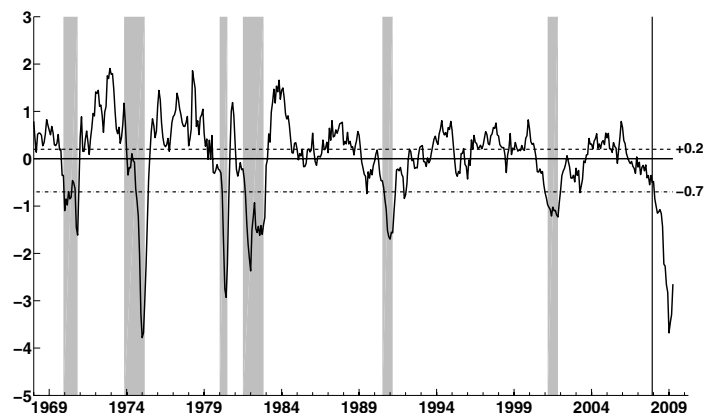
The March monthly index was revised to  $-3.36$  from an initial estimate of  $-2.96$ . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The downward revision to the March monthly index was primarily due to differences between the estimates of previously unavailable data and subsequently published data.

### CFNAI-MA3 and Inflation Cycles



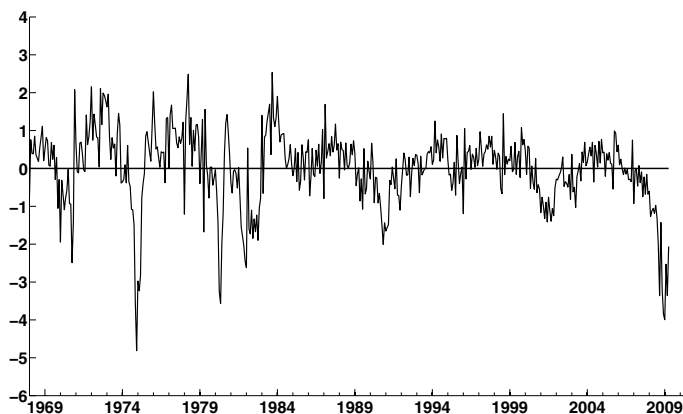
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above  $+0.70$  more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above  $+1.00$  more than two years into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

<i>Date of Release</i>	<i>Monthly Data for</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>