

## News Release

Embargoed for release:  
8:30 am Eastern Time  
7:30 am Central Time  
November 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:  
December 21, 2009  
8:30 am Eastern Time  
7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed *National Activity Index*

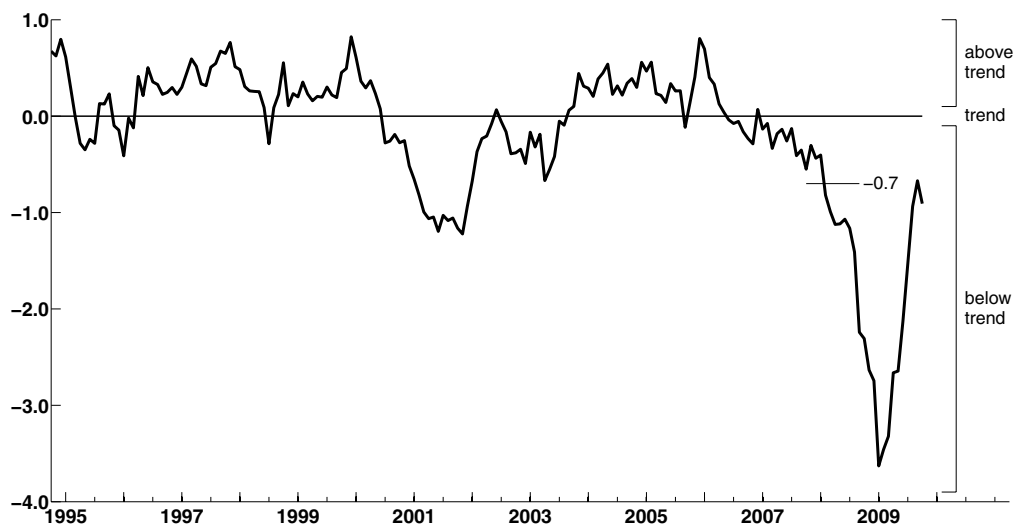
## Index shows economic activity leveled off in October

*The Chicago Fed National Activity Index was  $-1.08$  in October, down very slightly from  $-1.01$  in September. A decline in the contribution of production and income indicators offset small improvements in the other three broad categories of indicators that make up the index.*

The index's three-month moving average, CFNAI-MA3, decreased to  $-0.91$  in October from  $-0.67$  in September, declining for the first time in 2009. October's CFNAI-MA3 suggests that growth in national economic activity remained 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.

Production-related indicators—with a contribution of  $-0.07$  in October compared with  $+0.23$  in September—made a negative contribution to the index for the first time since June 2009. Much of the decline in this category's contribution can be attributed to lower manufacturing production. In particular, durable goods manufacturing declined 0.4 percent in October after rising 1.1 percent in September. Partially offsetting this was an increase in the Institute for

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



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

	Oct '09	Sep '09	Aug '09	Jul '09	Jun '09	May '09	Oct '08
<b>CFNAI</b>							
Current	-1.08	-1.01	-0.63	-0.37	-1.81	-2.42	-1.55
Previous	N/A	-0.81	-0.65	-0.42	-1.80	-2.44	-1.55
<b>CFNAI-MA3</b>							
Current	-0.91	-0.67	-0.94	-1.53	-2.13	-2.64	-2.31
Previous	N/A	-0.63	-0.96	-1.56	-2.13	-2.66	-2.31

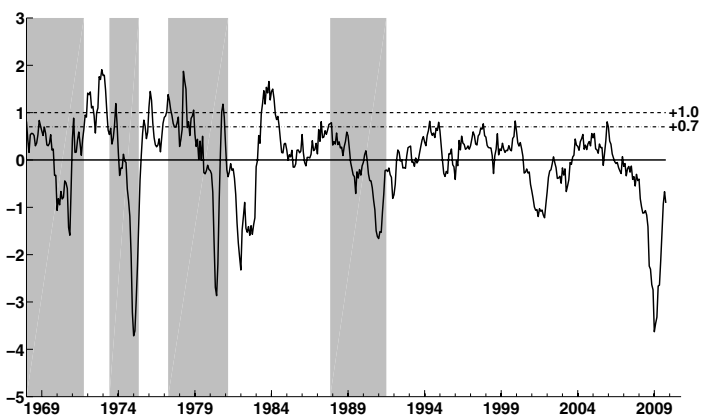
Current and Previous values reflect index values as of the November 23, 2009, release and October 26, 2009, release, respectively. N/A indicates not applicable.

Supply Management's Manufacturing Purchasing Managers' Production Index. It increased to 63.3 in October from 55.7 in the previous month.

Employment-related indicators made a contribution of  $-0.46$  to the index in October versus  $-0.60$  in September. Payroll employment decreased by 190,000 in October after declining by 219,000 in September. Household employment also declined at a slower pace in October. However, the unemployment rate increased to 10.2 percent in October from 9.8 percent in September.

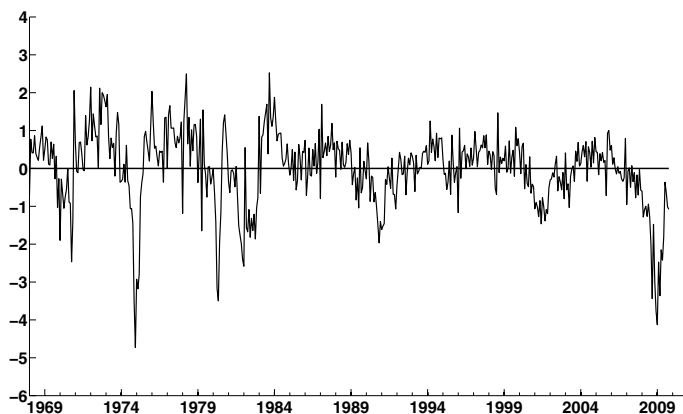
The consumption and housing category's contribution to the index increased to  $-0.52$  in October, following a contribution of  $-0.61$  in September. Small gains in a number of consumption indicators accounted for much of the increase. In contrast, housing starts were lower in October at an annual rate of 529,000 units compared with 592,000 units in September. The sales, orders, and inventories category also improved in October, contributing  $-0.02$ , compared with  $-0.04$  in September.

### 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.

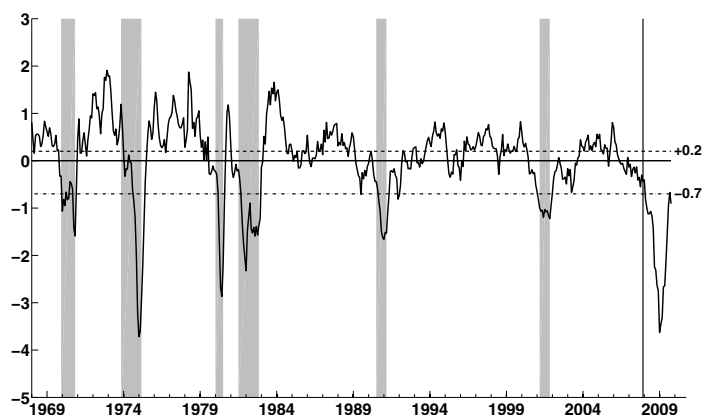
### CFNAI, Monthly Index



Thirty-two of the 85 individual indicators made positive contributions to the index in October, while 53 made negative contributions. Forty-three indicators improved from September to October, while 42 indicators deteriorated. Of the indicators that improved, 21 made negative contributions. The index was constructed using data available as of November 19, 2009. At that time, October data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

The September monthly index was revised to  $-1.01$  from an initial estimate of  $-0.81$ . 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 September monthly index was due primarily to differences between the estimates of previously unavailable data and subsequently published data.

### 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.

### 2009 and 2010 CFNAI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
<i>December 21, 2009</i>	<i>November 2009</i>
<i>January 28, 2010</i>	<i>December 2009</i>
<i>February 22, 2010</i>	<i>January 2010</i>
<i>March 22, 2010</i>	<i>February 2010</i>
<i>April 29, 2010</i>	<i>March 2010</i>
<i>May 24, 2010</i>	<i>April 2010</i>
<i>June 28, 2010</i>	<i>May 2010</i>
<i>July 26, 2010</i>	<i>June 2010</i>
<i>August 23, 2010</i>	<i>July 2010</i>
<i>September 27, 2010</i>	<i>August 2010</i>
<i>October 25, 2010</i>	<i>September 2010</i>
<i>November 22, 2010</i>	<i>October 2010</i>
<i>December 20, 2010</i>	<i>November 2010</i>