

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
October 26, 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:
November 23, 2009
8:30 am Eastern Time
7:30 am Central Time

FEDERAL RESERVE BANK
OF CHICAGO

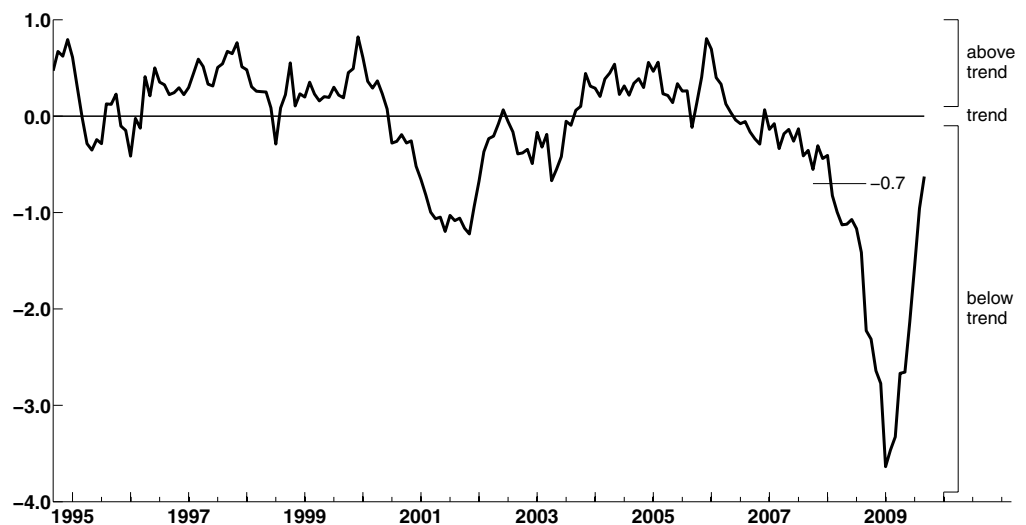
Chicago Fed *National Activity Index*

Index shows economic activity approaching pre-recessionary levels

The Chicago Fed National Activity Index was -0.81 in September, down from -0.65 in August. Three of the four broad categories of indicators made negative contributions to the index in September, but the production and income category made a positive contribution for the third consecutive month.

At -0.63 in September (up from -0.96 in the previous month), the index's three-month moving average, CFNAI-MA3, suggests that growth in national economic activity was below its historical trend. However, the CFNAI-MA3 in September improved to a level greater than -0.7 for the first time since the early months of this recession. For the four previous recessions, the first month when the CFNAI-MA3 was above -0.7 coincided closely with the end of each recession as eventually determined by the National Bureau of Economic Research. For further analysis of the CFNAI-MA3 and the trough of the business cycle, please see the recent *Chicago Fed Letter* at www.chicagofed.org/publications/fedletter/cflnovember2009_268.pdf. 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.

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



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

	Sep '09	Aug '09	Jul '09	Jun '09	May '09	Apr '09	Sep '08
CFNAI							
Current	-0.81	-0.65	-0.42	-1.80	-2.44	-2.16	-3.38
Previous	N/A	-0.90	-0.56	-1.82	-2.45	-2.17	-3.38
CFNAI-MA3							
Current	-0.63	-0.96	-1.56	-2.13	-2.66	-2.67	-2.23
Previous	N/A	-1.09	-1.61	-2.15	-2.66	-2.67	-2.23

Current and Previous values reflect index values as of the October 26, 2009, release and September 28, 2009, release, respectively. N/A indicates not applicable.

Production-related indicators made a smaller positive contribution of +0.27 to the index in September compared with +0.49 in August. Manufacturing production increased 0.8 percent in September after rising 1.2 percent in August, and manufacturing capacity utilization increased to 67.5 percent in September from 66.8 percent in the previous month.

The consumption and housing category's contribution to the index deteriorated in September to -0.52, following a contribution of -0.38 in August. Housing permits decreased to 573,000 annualized units in September from 580,000 in the previous month. In addition, housing starts in the Northeast, Midwest, and West were also lower in September than in August.

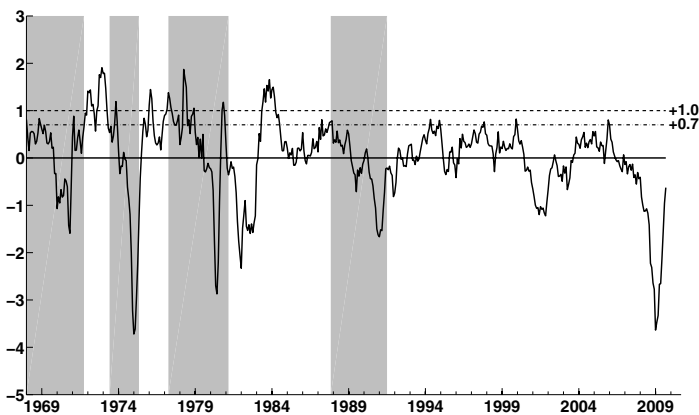
In contrast, employment-related indicators made a contribution of -0.53 to the index in September versus -0.61 in August. The unemployment rate ticked up 0.1 percent in September after increasing 0.3 percent in August, and average weekly initial unemployment insurance claims declined in September from the previous

month. The sales, orders, and inventories category also improved in September, contributing -0.03 compared with -0.14 in August.

Thirty-two of the 85 individual indicators made positive contributions to the index in September, while 53 made negative contributions. Thirty-nine indicators improved from August to September, while 46 indicators deteriorated. Of the indicators that improved, 23 made negative contributions. The index was constructed using data available as of October 22, 2009. At that time, September data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

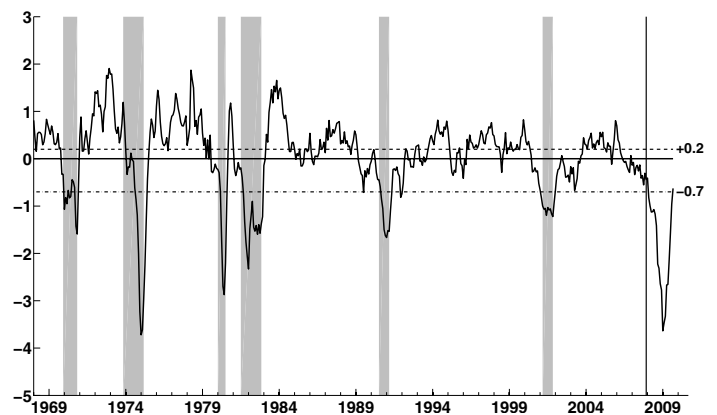
The August monthly index was revised to -0.65 from an initial estimate of -0.90. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The upward revision to the August monthly index was due primarily to revisions in previously published data.

CFNAI-MA3 and Inflation Cycles



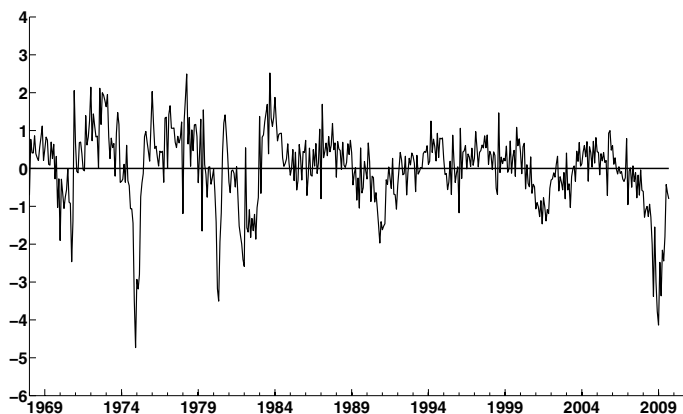
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above +0.70 more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above +1.00 more than two years into an economic 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 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 and 2010 CFNAI Release Dates

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