

## News Release

Embargoed for release:  
8:30 am Eastern Time  
7:30 am Central Time  
September 28, 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:  
October 26, 2009  
8:30 am Eastern Time  
7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed *National Activity Index*

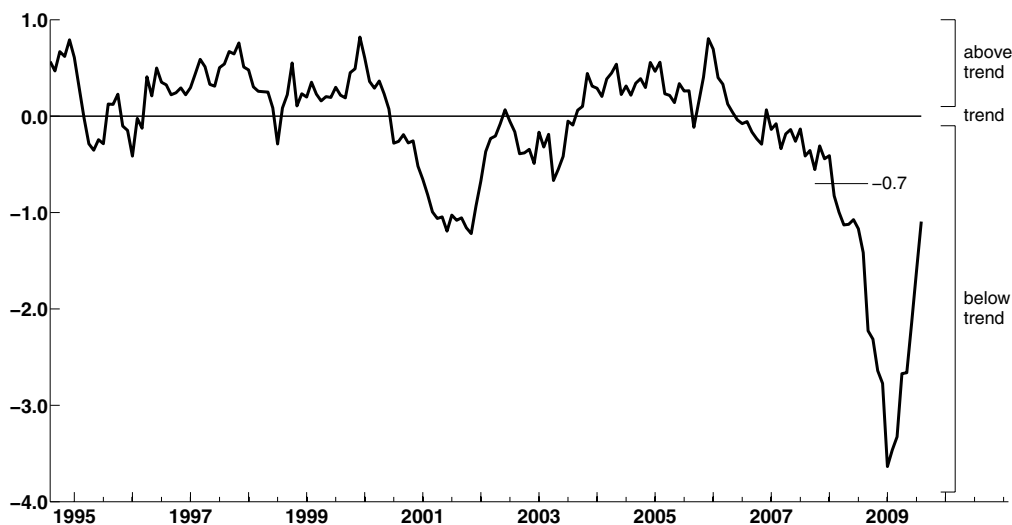
## Index shows economic activity lower in August

*The Chicago Fed National Activity Index was  $-0.90$  in August, down from  $-0.56$  in July. Three of the four broad categories of indicators made negative contributions to the CFNAI in August; the production and income category made a positive contribution to the index for the second consecutive month.*

The three-month moving average, CFNAI-MA3, improved for the seventh consecutive month. At  $-1.09$  in August (up from  $-1.61$  in the previous month), the CFNAI-MA3 suggests that growth in national economic activity was 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. Please see the accompanying *Chicago Fed Letter* at [www.chicagofed.org/publications/fedletter/cflnovember2009\\_268.pdf](http://www.chicagofed.org/publications/fedletter/cflnovember2009_268.pdf) for further analysis of the CFNAI-MA3.

The production-related indicators made a smaller positive contribution of  $+0.29$  to the index in August compared with  $+0.45$  in July. Industrial production increased 0.8 percent in August,

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



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

	Aug '09	Jul '09	Jun '09	May '09	Apr '09	Mar '09	Aug '08
<b>CFNAI</b>							
Current	-0.90	-0.56	-1.82	-2.45	-2.17	-3.36	-2.01
Previous	N/A	-0.74	-1.82	-2.50	-2.23	-3.40	-2.01
<b>CFNAI-MA3</b>							
Current	-1.09	-1.61	-2.15	-2.66	-2.67	-3.33	-1.42
Previous	N/A	-1.69	-2.18	-2.71	-2.70	-3.33	-1.42

Current and Previous values reflect index values as of the September 28, 2009, release and August 24, 2009, release, respectively. N/A indicates not applicable.

down slightly from 1.0 percent in the previous month; and manufacturing production increased 0.6 percent in August after rising 1.4 percent in July. July and August marked the first consecutive increases in industrial production since November and December 2007.

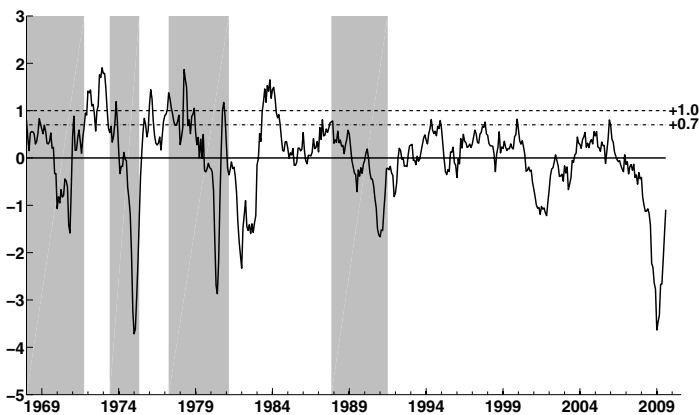
The contribution of employment-related indicators also decreased in August, making a contribution of  $-0.63$  to the index versus  $-0.39$  in July. The unemployment rate increased to 9.7 percent in August from 9.4 percent in the previous month. In addition, manufacturing employment declined by 63,000 in August after decreasing by 43,000 in July.

The consumption and housing category's contribution to the index improved slightly in August to  $-0.48$ , following a contribution of  $-0.49$  in July. Housing starts increased to 598,000 annualized units in August from 589,000 in the previous month. The sales, orders, and inventories category also improved in August, contributing  $-0.08$  compared with  $-0.11$  in July.

Thirty-one of the 85 individual indicators made positive contributions to the index in August, while 54 made negative contributions. Forty-seven indicators improved from July to August, while 37 indicators deteriorated. Of the indicators that improved, 28 made negative contributions. The index was constructed using data available as of September 21, 2009. At that time, August data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

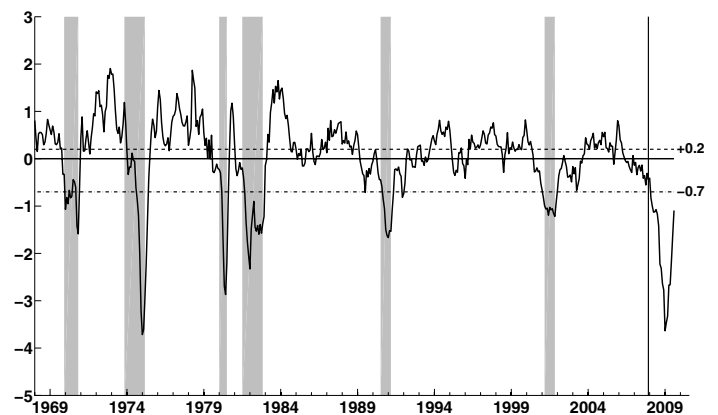
The July monthly index was revised to  $-0.56$  from an initial estimate of  $-0.74$ . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The upward revision to the July monthly index was due primarily to revisions in previously published data.

### CFNAI-MA3 and Inflation Cycles



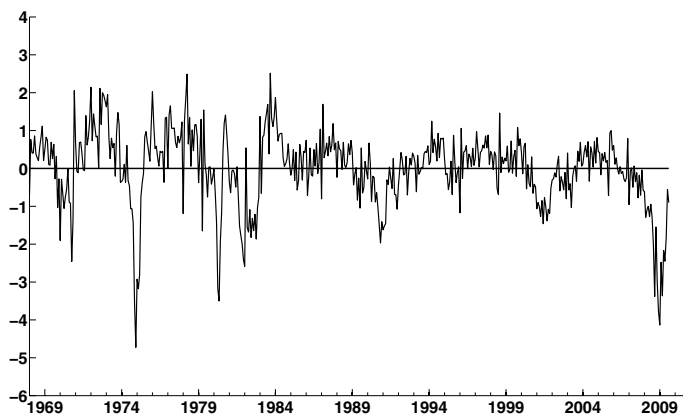
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above  $+0.70$  more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above  $+1.00$  more than two years into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

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