

## News Release

Embargoed for release:  
8:30 am Eastern Time  
7:30 am Central Time  
February 22, 2010

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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. Conversely, when the CFNAI-MA3 value moves above  $-0.70$  following a period of economic contraction, there is an increasing likelihood that a recession has ended.

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:  
March 22, 2010  
8:30 am Eastern Time  
7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed *National Activity Index*

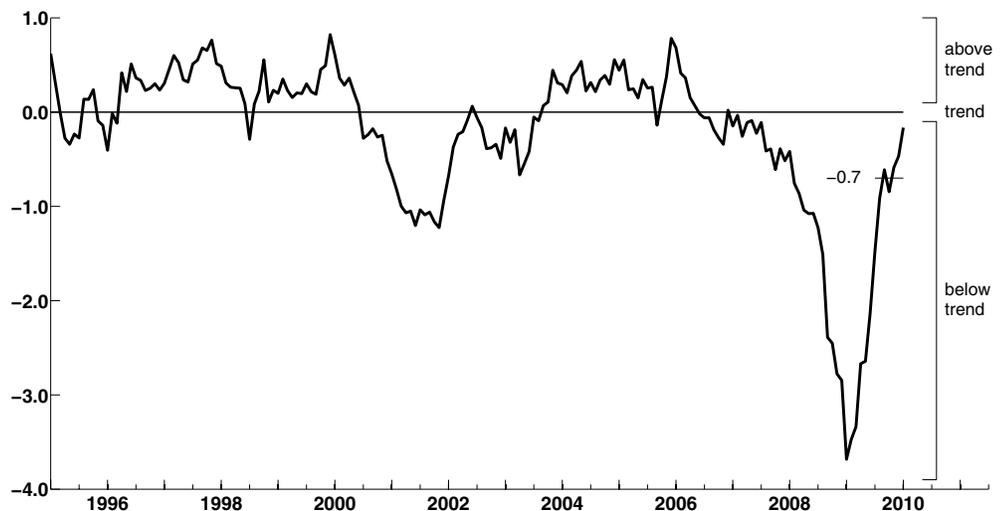
## Index shows economic activity increased sharply in January

Led by improvements in production- and employment-related indicators, the Chicago Fed National Activity Index in January was slightly positive for the second time in the past three months. From June 2007 through October 2009, the index had been consistently negative. The index increased to  $+0.02$  in January from  $-0.58$  in December, with all four categories of indicators having improved.

The index's three-month moving average, CFNAI-MA3, increased to  $-0.16$  in January from  $-0.47$  in December, reaching its highest level since July 2007. January's CFNAI-MA3 suggests that, consistent with the early stages of a recovery following a recession, growth in national economic activity is beginning to near its historical trend. With regard to inflation, the amount of economic slack reflected in the CFNAI-MA3 indicates subdued inflationary pressure from economic activity over the coming year.

Production-related indicators made a positive contribution to the index for the seventh consecutive month. As a group, they contributed  $+0.45$  in January, up from  $+0.14$  in December. Manufacturing industrial production increased 0.9 percent in January after being unchanged in December; and manufacturing capacity utilization increased to 69.2 percent in January, its highest level since November 2008.

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



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

	Jan '10	Dec '09	Nov '09	Oct '09	Sep '09	Aug '09	Jan '09
<b>CFNAI</b>							
Current	+0.02	-0.58	+0.06	-0.88	-0.93	-0.71	-4.14
Previous	N/A	-0.61	-0.39	-0.83	-0.83	-0.62	-4.09
<b>CFNAI-MA3</b>							
Current	-0.16	-0.47	-0.59	-0.84	-0.61	-0.91	-3.68
Previous	N/A	-0.61	-0.68	-0.76	-0.54	-0.87	-3.64

Current and Previous values reflect index values as of the February 22, 2010, release and January 28, 2010, release, respectively. N/A indicates not applicable.

The sales, orders, and inventories category made a positive contribution to the index for the fifth consecutive month. This category of indicators contributed +0.04 in January, up slightly from +0.03 in December. The Institute for Supply Management's Manufacturing Purchasing Managers' New Orders Index increased to 65.9 in January from 64.8 in December, reaching its highest level since December 2004.

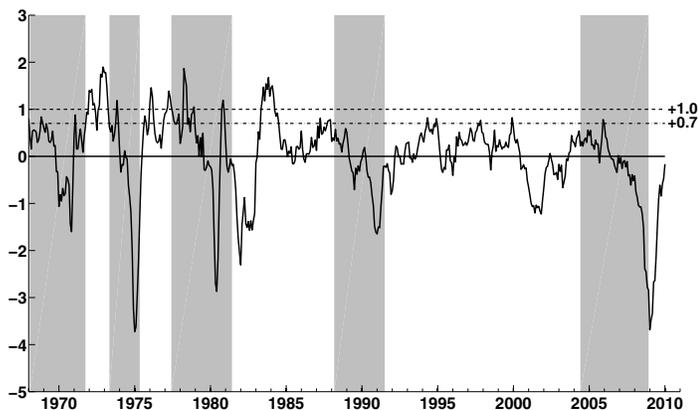
Employment-related indicators contributed -0.01 to the index in January, up from -0.26 in December. Payroll employment decreased by 20,000 in January after declining by 150,000 in December; and the unemployment rate declined to 9.7 percent in January from 10.0 percent in the previous month.

The consumption and housing category continued to be the weakest component of the index. This category of indicators contributed -0.45 in January, up modestly from -0.49 in December. Housing starts increased to 591,000 annualized units in January from 575,000 in December. Partially offsetting this was a decrease in building permits to 621,000 annualized units in January from 653,000 in the previous month.

Fifty of the 85 individual indicators made positive contributions to the index in January, while 35 made negative contributions. Fifty-seven indicators improved from December to January, while 28 indicators deteriorated. Of the indicators that improved, 16 made negative contributions. The index was constructed using data available as of February 18, 2010. At that time, January data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

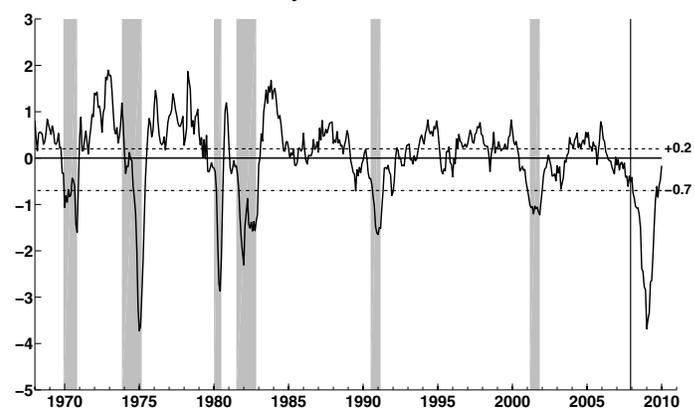
The December monthly index was revised to -0.58 from an initial estimate of -0.61. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The slight upward revision to the December monthly index was due primarily to differences between the estimates of previously unavailable data and subsequently published data.

### CFNAI-MA3 and Inflation Cycles



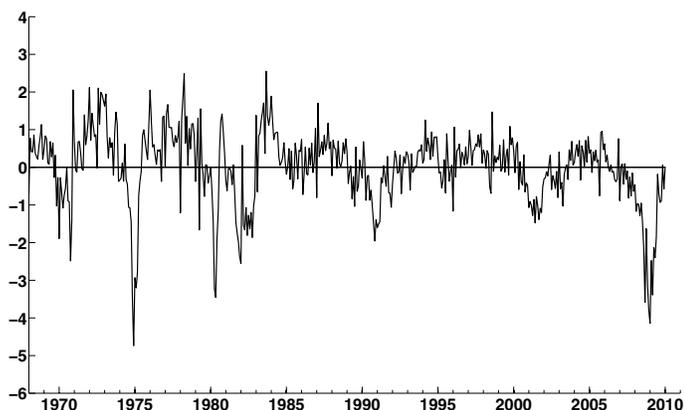
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above +0.70 more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above +1.00 more than two years into an economic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



### 2010 CFNAI Release Dates

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