The monthly CFNAI index, a weighted average of 85 indicators of national economic activity, is constructed to have an average value of zero and a standard deviation of one. A zero value for the index indicates that the national economy is expanding at its historical trend rate of growth; negative values are associated with below-trend growth, while positive values indicate above-trend growth. Month-to-month movements in the CFNAI can be volatile, so a three-month moving average, CFNAI-MA3, provides a more consistent picture of national economic growth. The 85 economic indicators that comprise the CFNAI 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.

The decrease in the CFNAI from February to March largely reflected a swing in the contribution of production-related indicators, from 0.03 in February to –0.06 in March. Total industrial production (IP) increased 0.3 percent in March following a 0.2 percent increase in February. However, the positive contribution of total IP was offset by a decline in manufacturing activity: Factory output declined 0.1 percent and manufacturing capacity utilization slipped 0.2 percentage points to 78.0 percent in March.

The consumption and housing-related data category made the largest positive contribution (+0.08) to the CFNAI. Housing starts dropped 17.6 percent in March, the largest decline since January 1991, while residential building permits fell 4.0 percent. However, the level of both indicators remained well above historical norms, and, as a result, they made positive contributions to the CFNAI. The sales, inventories, and orders category also made a positive contribution of +0.02 to the CFNAI-MA3 in March.

The Chicago Fed National Activity Index shows above-trend economic growth in March

The Chicago Fed National Activity Index was +0.11 in March, down from +0.22 in February. Three of the four broad categories of indicators that comprise the index made positive contributions in March (see sidebar). The three-month moving average, CFNAI-MA3, was +0.17 in March, down from +0.42 in February. CFNAI-MA3 readings above zero are associated with above-trend economic growth; accordingly, the CFNAI-MA3 value of +0.17 in March suggests that growth in national economic activity was above its historical trend for the nineteenth straight month. With regard to inflation, CFNAI-MA3 values above zero suggest increased inflationary pressures over the coming year.
Interpreting the CFNAI-MA3

If CFNAI-MA3 > +1.00 more than two years into an economic expansion...

If CFNAI-MA3 > +0.70 more than two years into an economic expansion...

If CFNAI-MA3 > +0.20 following a period of economic contraction...

If CFNAI-MA3 < –0.70 following a period of economic expansion...

Substantial likelihood that a period of sustained accelerating inflation has begun.

Increasing likelihood that a period of sustained accelerating inflation has begun.

Significant likelihood that a recession has ended.

Increasing likelihood that a recession has begun.