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:
March 24, 2008
8:30 am Eastern Time
7:30 am Central Time

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The Chicago Fed National Activity Index was –0.58 in January, up from –0.69 in December. All four broad categories of indicators made negative contributions to the index in January.

The three-month moving average, CFNAI-MA3, increased to –0.60 in January from –0.69 in December. This negative value suggests that growth in national economic activity was below its historical trend. With regard to inflation, January's three-month moving average indicates low inflationary pressure from economic activity over the coming year.

Employment-related indicators made a contribution of –0.25 to the index in January, following a contribution of –0.31 in December. The unemployment rate ticked down to 4.9 percent in January from 5.0 percent in December. Total nonfarm payroll employment decreased by 17,000 in January after a gain of 82,000 in the previous month. However, the employment category made a smaller negative contribution to the index in January than in December primarily because of improvements in employment from the household survey.
The consumption and housing category of indicators also made a large negative contribution of −0.23 to the index in January, following a contribution of −0.28 in December. Housing starts edged up 0.8 percent in January following a 14.8 percent decline in the previous month, and building permits decreased by 3.0 percent in January after declining 7.1 percent in December.

Production-related indicators made a contribution of −0.08 to the index in January compared with a contribution of −0.09 in December. Total industrial production increased 0.1 percent in January for the second consecutive month, while manufacturing production was unchanged in January after increasing 0.2 percent in December. The sales, orders, and inventories category also made a small negative contribution of −0.01 in January.

Twenty-nine of the 85 individual indicators made positive contributions to the index in January, while 56 made negative contributions.

Forty-six indicators improved from December to January, while 39 indicators deteriorated. Of the improved indicators, 22 made negative contributions. The index was constructed using data available as of February 21, 2008. 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 up to −0.69 from an initial estimate of −0.91. 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 December monthly index was primarily due to revisions in previously published data.

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.

Notes: Shading indicates official periods of recession as identified by the National Bureau of Economic Research. 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 historical data and background information are available at www.chicagofed.org/cfnai.