Index shows slow but improved economic activity in May

The Chicago Fed National Activity Index was –0.96 in May, up from –1.23 in April. However, all four broad categories of indicators made negative contributions to the index in May.

The three-month moving average, CFNAI-MA3, increased to –1.08 in May from –1.27 in April. This negative value suggests that growth in national economic activity was below its historical trend. With regard to inflation, May's three-month moving average indicates low inflationary pressure from economic activity over the coming year. In addition, a CFNAI-MA3 value below –0.70 following a period of economic expansion indicates an increasing likelihood that a recession has begun. May marked the sixth consecutive month that the three-month moving average was below the –0.70 threshold.

The improvement in the index from April to May was primarily due to an increase in the contribution of production-related indicators. These indicators made a contribution of –0.19 to the index in May, compared with a contribution of –0.64 in April. Total industrial production decreased 0.2 percent in May after declining 0.7 percent in the previous month, and the

The next CFNAI will be released:
July 21, 2008
8:30 am Eastern Time
7:30 am Central Time
Institute for Supply Management’s Purchasing Managers’ Index (PMI) increased from 48.6 in April to 49.6 in May.

The increase in the contribution from production-related indicators was partially offset by a decrease in the contribution from employment-related indicators. These indicators made a contribution of −0.45 to the index in May, following a contribution of −0.25 in April. Total nonfarm payroll employment declined by 49,000 in May after a decrease of 28,000 in the previous month, and the unemployment rate increased from 5.0 percent in April to 5.5 percent in May.

The consumption and housing category also made a large negative contribution of −0.25 to the index in May, following a contribution of −0.28 in April. Housing starts decreased 3.3 percent in May following a 2.0 percent increase in the previous month, and building permits were 1.3 percent lower in May after increasing 5.4 percent in April. However, this category made a slightly larger overall contribution in May because of improvements in consumption-related indicators.

The sales, orders, and inventories category made a contribution of −0.08 in May.

Twenty-two of the 85 individual indicators made positive contributions to the index in May, while 63 made negative contributions. Forty-eight indicators improved from April to May, while 37 indicators deteriorated. Of the improved indicators, 31 made negative contributions. The index was constructed using data available as of June 19, 2008. At that time, May data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

The April monthly index was revised down to −1.23 from an initial estimate of −1.17. 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 downward revision to the April monthly index was primarily due to revisions in previously published data.