The Chicago Fed National Activity Index was –1.06 in October, up from –3.11 in September. The improvement in the index in October was primarily driven by the rise in industrial production from September. Production-related indicators made a positive contribution to the index in October, while the other three broad categories made negative contributions.

The three-month moving average, CFNAI-MA3, increased slightly to –2.09 in October from –2.16 in the previous month, remaining below –2.00 for two consecutive months for the first time since 1982. This negative value suggests that growth in national economic activity was below its historical trend, and marks the tenth out of the last 11 months that the CFNAI-MA3 has indicated an increasing likelihood that a recession has begun. With regard to inflation, October’s three-month moving average indicates low inflationary pressure from economic activity over the coming year.

The increase in the monthly index was driven primarily by the production and income category of indicators. This category made a contribution of +0.14 to the index in October, following a contribution of –1.98 in September. Total industrial production increased 1.3 percent in

The next CFNAI will be released:
December 22, 2008
8:30 am Eastern Time
7:30 am Central Time

News Release
Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
November 24, 2008
Contact:
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Media Relations
Federal Reserve Bank of Chicago
312-322-2387

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

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

<table>
<thead>
<tr>
<th></th>
<th>Oct ’08</th>
<th>Sep ’08</th>
<th>Aug ’08</th>
<th>Jul ’08</th>
<th>Jun ’08</th>
<th>May ’08</th>
<th>Oct ’07</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFNAI Current</td>
<td>–1.06</td>
<td>–3.11</td>
<td>–2.11</td>
<td>–1.24</td>
<td>–0.81</td>
<td>–1.10</td>
<td>–0.75</td>
</tr>
<tr>
<td>Previous</td>
<td>N/A</td>
<td>–2.57</td>
<td>–1.61</td>
<td>–1.16</td>
<td>–0.78</td>
<td>–1.08</td>
<td>–0.77</td>
</tr>
<tr>
<td>CFNAI-MA3 Current</td>
<td>–2.09</td>
<td>–2.16</td>
<td>–1.39</td>
<td>–1.05</td>
<td>–0.98</td>
<td>–1.07</td>
<td>–0.59</td>
</tr>
<tr>
<td>Previous</td>
<td>N/A</td>
<td>–1.78</td>
<td>–1.18</td>
<td>–1.01</td>
<td>–0.96</td>
<td>–1.07</td>
<td>–0.61</td>
</tr>
</tbody>
</table>

Current and Previous values reflect index values as of the November 24, 2008, release and October 21, 2008, release, respectively. N/A indicates not applicable.
October after decreasing 3.8 percent in the previous month. Much of the increase in October was due to the resumption of activity in industries affected by hurricanes in September. Partially offsetting the increase in industrial production was a decline in the Institute for Supply Management’s Manufacturing Purchasing Managers’ Index. The index fell to 38.9 in October from 43.5 in September, reaching its lowest level since 1982.

Employment-related indicators contributed –0.70 to the index in October after contributing –0.64 in September. Private nonfarm payroll employment declined by 263,000 in October after decreasing 243,000 in September. In addition, the unemployment rate rose to 6.5 percent in October from 6.1 percent in the previous month.

The consumption and housing category made a contribution of –0.36 to the index in October, following a contribution of –0.43 in September. Housing starts declined 4.5 percent in October, following a 3.0 percent decrease in September; and building permits were 12.0 percent lower in October after decreasing 6.1 percent in the previous month. The sales, orders, and inventories category also made a negative contribution of –0.15 in October.

Twenty-nine of the 85 individual indicators made positive contributions to the index in October, while 56 made negative contributions. Forty-six indicators improved from September to October, while 39 indicators deteriorated. Of the improved indicators, 21 made negative contributions. The index was constructed using data available as of November 20, 2008. At that time, October data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

The September monthly index was revised down to –3.11 from an initial estimate of –2.57. 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 September monthly index was primarily due to revisions in previously published data.

CFNAI historical data and background information are available at www.chicagofed.org/cfnai.