

News Release

Embargoed for release:

8:30 am Eastern Time

7:30 am Central Time

December 21, 2009

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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.

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:

January 28, 2010

8:30 am Eastern Time

7:30 am Central Time

FEDERAL RESERVE BANK
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Chicago Fed *National Activity Index*

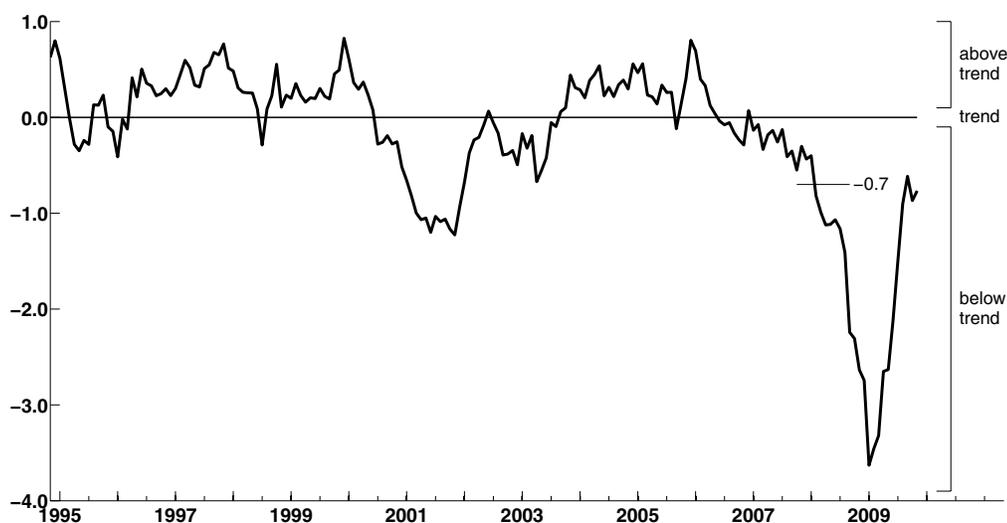
Index shows economic activity improved in November

Led by improvements in production-related and employment-related indicators, the Chicago Fed National Activity Index increased to -0.32 in November, up sharply from -1.02 in October. Two of the four broad categories of indicators that make up the index improved, although only the production and income category made a positive contribution.

The index's three-month moving average, CFNAI-MA3, increased to -0.77 in November from -0.87 in October. November's CFNAI-MA3 suggests that growth in national economic activity was below its historical trend. The level of activity, however, remained in a range that has historically been consistent with the early stages of a recovery following a recession. With regard to inflation, the amount of economic slack reflected in the CFNAI-MA3 indicates low inflationary pressure from economic activity over the coming year.

Production-related indicators made a contribution of $+0.35$ to the index in November, compared with -0.09 in October. This contribution accounted for much of the improvement in the index in November. Industrial production rose 0.8 percent in November after being unchanged in

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



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

	Nov '09	Oct '09	Sep '09	Aug '09	Jul '09	Jun '09	Nov '08
CFNAI							
Current	-0.32	-1.02	-0.95	-0.63	-0.26	-1.82	-2.99
Previous	N/A	-1.08	-1.01	-0.63	-0.37	-1.81	-2.99
CFNAI-MA3							
Current	-0.77	-0.87	-0.61	-0.90	-1.50	-2.12	-2.63
Previous	N/A	-0.91	-0.67	-0.94	-1.53	-2.13	-2.63

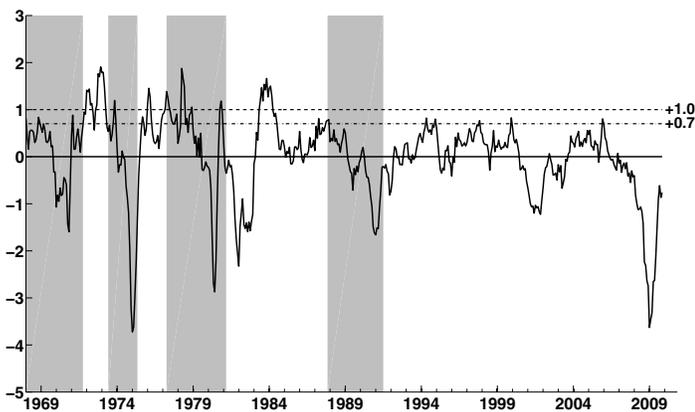
Current and Previous values reflect index values as of the December 21, 2009, release and November 23, 2009, release, respectively. N/A indicates not applicable.

October; and manufacturing production increased 1.1 percent in November after decreasing 0.2 percent in the previous month. Furthermore, manufacturing capacity utilization increased to 68.4 percent in November from 67.6 percent in October.

Employment-related indicators made a contribution of -0.12 to the index in November, up from -0.42 in October. Initial unemployment insurance claims in November declined to their lowest level during the past year; and the unemployment rate edged down to 10.0 percent in November from 10.2 percent in the previous month. In addition, payroll employment decreased by 11,000 in November after declining by 111,000 in October; and average weekly hours worked in manufacturing increased to 40.4 in November from 40.1 in the previous month.

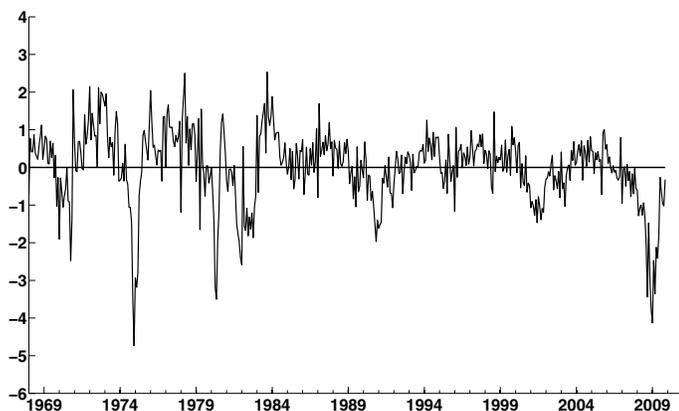
The consumption and housing category's contribution to the index was -0.48 in November, roughly unchanged from its value in October. The sales, orders, and inventories category made a contribution of -0.07 in November, down slightly from -0.02 in October.

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.

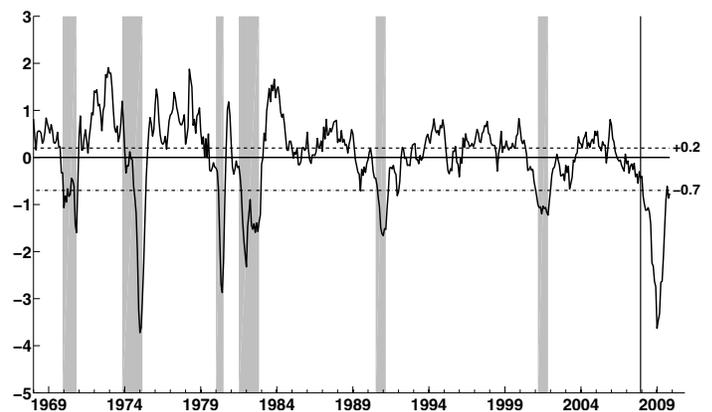
CFNAI, Monthly Index



Thirty-six of the 85 individual indicators made positive contributions to the index in November, while 49 made negative contributions. Fifty-three indicators improved from October to November, while 32 indicators deteriorated. Of the indicators that improved, 27 made negative contributions. The index was constructed using data available as of December 17, 2009. At that time, November data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

The October monthly index was revised to -1.02 from an initial estimate of -1.08 . 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 October monthly index was due primarily to revisions in previously published data.

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 $+0.20$ following a period of economic contraction indicates a significant likelihood that a recession has ended.

2010 CFNAI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
January 28, 2010	December 2009
February 22, 2010	January 2010
March 22, 2010	February 2010
April 29, 2010	March 2010
May 24, 2010	April 2010
June 28, 2010	May 2010
July 26, 2010	June 2010
August 23, 2010	July 2010
September 27, 2010	August 2010
October 25, 2010	September 2010
November 22, 2010	October 2010
December 20, 2010	November 2010