Chicago Fed National Activity Index

Index shows economic activity rebounded in July

Led by improvements in production-related indicators, the Chicago Fed National Activity Index returned to its historical average of zero in July, up from –0.70 in June. Three of the four broad categories of indicators that make up the index improved from June, but only the production and income category made a positive contribution to the index in July.

The index’s three-month moving average, CFNAI-MA3, edged lower to –0.17 in July from –0.12 in June. July’s CFNAI-MA3 suggests that growth in national economic activity was somewhat below its historical trend. With regard to inflation, the amount of economic slack reflected in the CFNAI-MA3 suggests subdued inflationary pressure from economic activity over the coming year.

Production-related indicators made a contribution of +0.43 to the index in July, up from –0.16 in June. Total industrial production increased 1.0 percent in July after edging lower 0.1 percent in June. In addition, manufacturing production rose 1.1 percent in July after decreasing 0.4 percent in the previous month, and manufacturing capacity utilization increased to 72.2 percent in July from 71.4 percent in June.

The next CFNAI will be released:
September 27, 2010
8:30 am Eastern Time
7:30 am Central Time

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Employment-related indicators made a neutral contribution to the index in July, up from –0.14 in June. Total nonfarm payroll employment decreased by 131,000 in July; however, private nonfarm payrolls increased by 71,000. In addition, manufacturing payrolls rose for the seventh straight month, increasing by 36,000 in July after edging up 13,000 in June.

The sales, orders, and inventories category also made a neutral contribution to the index in July, down from +0.06 in June. The Institute for Supply Management's Manufacturing New Orders Index declined to 53.5 in July from 58.5 in the previous month.

The consumption and housing category contributed –0.43 to the index in July, up slightly from –0.46 in June. Housing starts increased to 546,000 annualized units in July from 537,000 in June, while building permits decreased to 565,000 annualized units in July from 583,000 in the previous month.

Forty-six of the 85 individual indicators made positive contributions to the index in July, while 39 made negative contributions. Fifty-six indicators improved from June to July, while 28 indicators deteriorated and one was unchanged. Of the indicators that improved, 20 made negative contributions. The index was constructed using data available as of August 19, 2010. At that time, July data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

The June monthly index was revised to –0.70 from an initial estimate of –0.63. 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 June monthly index was due primarily to revisions in previously published data.

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