Chicago Fed National Activity Index

Index shows economic activity increased sharply in January

Led by improvements in production- and employment-related indicators, the Chicago Fed National Activity Index in January was slightly positive for the second time in the past three months. From June 2007 through October 2009, the index had been consistently negative. The index increased to +0.02 in January from –0.58 in December, with all four categories of indicators having improved.

The index’s three-month moving average, CFNAI-MA3, increased to –0.16 in January from –0.47 in December, reaching its highest level since July 2007. January’s CFNAI-MA3 suggests that, consistent with the early stages of a recovery following a recession, growth in national economic activity is beginning to near its historical trend. With regard to inflation, the amount of economic slack reflected in the CFNAI-MA3 indicates subdued inflationary pressure from economic activity over the coming year.

Production-related indicators made a positive contribution to the index for the seventh consecutive month. As a group, they contributed +0.45 in January, up from +0.14 in December. Manufacturing industrial production increased 0.9 percent in January after being unchanged in December; and manufacturing capacity utilization increased to 69.2 percent in January, its highest level since November 2008.

The next CFNAI will be released:
March 22, 2010
8:30 am Eastern Time
7:30 am Central Time

Current and Previous values reflect index values as of the February 22, 2010, release and January 28, 2010, release, respectively. N/A indicates not applicable.
The sales, orders, and inventories category made a positive contribution to the index for the fifth consecutive month. This category of indicators contributed +0.04 in January, up slightly from +0.03 in December. The Institute for Supply Management’s Manufacturing Purchasing Managers’ New Orders Index increased to 65.9 in January from 64.8 in December, reaching its highest level since December 2004.

Employment-related indicators contributed –0.01 to the index in January, up from –0.26 in December. Payroll employment decreased by 20,000 in January after declining by 150,000 in December; and the unemployment rate declined to 9.7 percent in January from 10.0 percent in the previous month.

The consumption and housing category continued to be the weakest component of the index. This category of indicators contributed –0.45 in January, up modestly from –0.49 in December. Housing starts increased to 591,000 annualized units in January from 575,000 in December. Partially offsetting this was a decrease in building permits to 621,000 annualized units in January from 653,000 in the previous month.

Fifty of the 85 individual indicators made positive contributions to the index in January, while 35 made negative contributions. Fifty-seven indicators improved from December to January, while 28 indicators deteriorated. Of the indicators that improved, 16 made negative contributions. The index was constructed using data available as of February 18, 2010. 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 to –0.58 from an initial estimate of –0.61. 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 December monthly index was due primarily to differences between the estimates of previously unavailable data and subsequently published data.