Index shows economic activity continued to improve in April

Led by continued improvements in production- and employment-related indicators, the Chicago Fed National Activity Index increased to +0.29 in April, up from +0.13 in March. April marked the highest level of the index since December 2006 and the third time in the past four months that the index indicated above-average economic activity. Three of the four broad categories of indicators that make up the index made positive contributions in April, while the consumption and housing category made the lone negative contribution.

The index’s three-month moving average, CFNAI-MA3, increased to –0.03 in April from –0.09 in March, reaching its highest level since February 2007. April’s CFNAI-MA3 suggests that growth in national economic activity was very near its historical trend. With the index still slightly below trend, there remains some economic slack, suggesting subdued inflationary pressure from economic activity over the coming year.

Production-related indicators made a contribution of +0.41 to the index in April, compared with +0.23 in March. Industrial production increased 0.8 percent in April after increasing...
0.2 percent in March. In addition, manufacturing production increased 1.0 percent for the second straight month, and manufacturing capacity utilization rose to 70.8 percent in April from 70.0 percent in the previous month.

Employment-related indicators contributed +0.23 to the index in April, up from +0.16 in March. Total nonfarm payroll employment rose by 290,000 in April after increasing by 230,000 in March. Manufacturing employment also continued to increase in April, growing by 44,000; and average weekly hours worked in manufacturing rose to 41.2 hours from 41.0 in the previous month.

The sales, orders, and inventories category also made a positive contribution to the index in April, contributing +0.06, down slightly from +0.08 in March. In contrast, the consumption and housing category’s contribution to the index remained negative; this category contributed −0.41 in April, down from −0.35 in March. Housing starts improved in April, while building permits declined.

Fifty-one of the 85 individual indicators made positive contributions to the index in April, while 34 made negative contributions. Forty-seven indicators improved from March to April, while 37 indicators deteriorated and one was unchanged. Of the indicators that improved, 11 made negative contributions. The index was constructed using data available as of May 20, 2010. At that time, April data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

The March monthly index was revised to +0.13 from an initial estimate of −0.07. 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 upward revision to the March monthly index was due primarily to revisions in previously published data.