

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
September 27, 2010

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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. Conversely, when the CFNAI-MA3 value moves above -0.70 following a period of economic contraction, there is an increasing likelihood that a recession has ended.

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:
October 25, 2010
8:30 am Eastern Time
7:30 am Central Time

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Chicago Fed National Activity Index

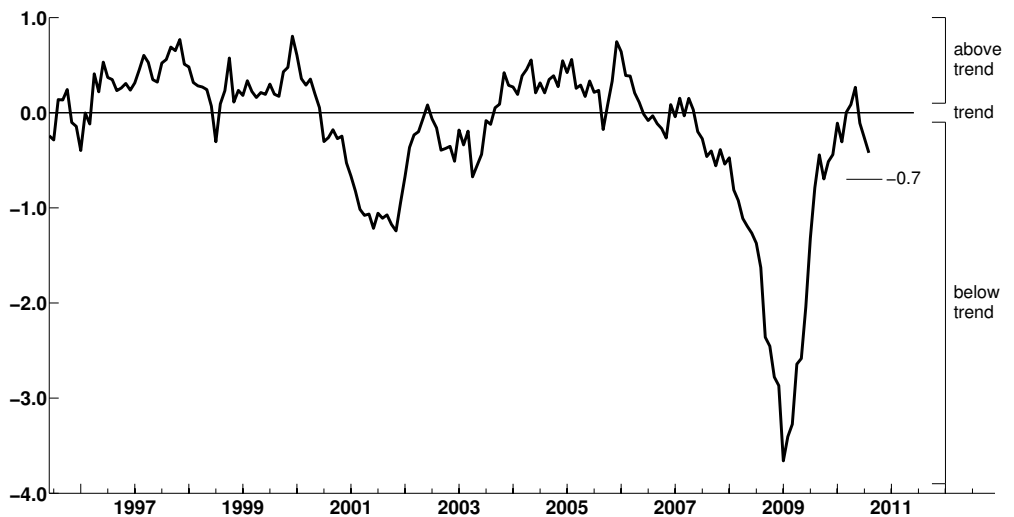
Index shows economic activity weakened in August

Led by declines in production- and employment-related indicators, the Chicago Fed National Activity Index decreased to -0.53 in August from -0.11 in July. None of the four broad categories of indicators that make up the index made a positive contribution in August.

The index's three-month moving average, CFNAI-MA3, declined to -0.42 in August from -0.27 in July. August's CFNAI-MA3 suggests that growth in national economic activity was 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.

On September 20, 2010, the National Bureau of Economic Research (NBER) determined that June 2009 marked the end of the recent recession. By comparison, the CFNAI first indicated an increasing likelihood that the recession had ended in its October 26, 2009, release. For a report on the success of the CFNAI in tracking the dating of recessions established by the NBER, see www.chicagofed.org/digital_assets/publications/cfnai/background/cfnai_background.pdf.

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



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

	Aug '10	Jul '10	Jun '10	May '10	Apr '10	Mar '10	Aug '09
CFNAI							
Current	-0.53	-0.11	-0.63	-0.06	+0.36	+0.50	-0.56
Previous	N/A	0.00	-0.70	+0.19	+0.17	+0.43	-0.60
CFNAI-MA3							
Current	-0.42	-0.27	-0.11	+0.27	+0.09	+0.01	-0.79
Previous	N/A	-0.17	-0.12	+0.26	+0.02	-0.03	-0.79

Current and Previous values reflect index values as of the September 27, 2010, release and August 23, 2010, release, respectively. N/A indicates not applicable.

Production-related indicators made a neutral contribution to the index in August, down from +0.23 in July. Manufacturing production edged up 0.2 percent in August after rising 0.7 percent in the previous month.

The sales, orders, and inventories category made a very small negative contribution to the index in August, contributing -0.01, compared with +0.01 in July.

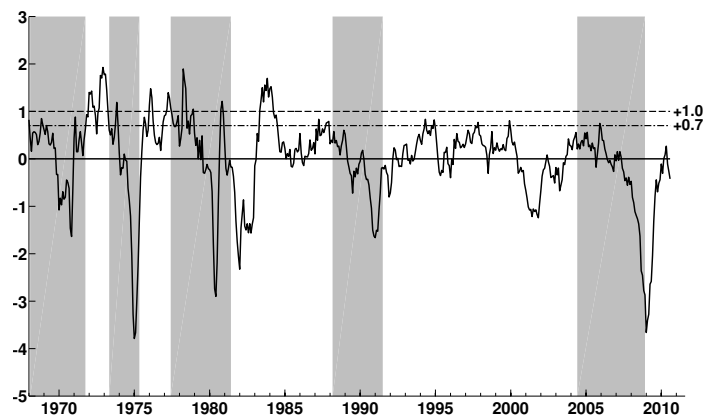
Employment-related indicators made a contribution of -0.12 to the index in August, down from +0.09 in July. Total nonfarm payroll employment decreased by 54,000 in August. In addition, manufacturing payrolls declined for the first time in eight months, decreasing by 27,000 in August after moving up 37,000 in the previous month.

The consumption and housing category contributed -0.40 to the index in August, up slightly from -0.44 in July. Housing starts increased to 598,000 annualized units in August from 541,000 in July, and building permits edged up to 569,000 annualized units in August from 559,000 in the previous month.

Thirty-four of the 85 individual indicators made positive contributions to the index in August, while 51 made negative contributions. Forty-two indicators improved from July to August, while 42 indicators deteriorated and one was unchanged. Of the indicators that improved, 19 made negative contributions. The index was constructed using data available as of September 23, 2010. At that time, August data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

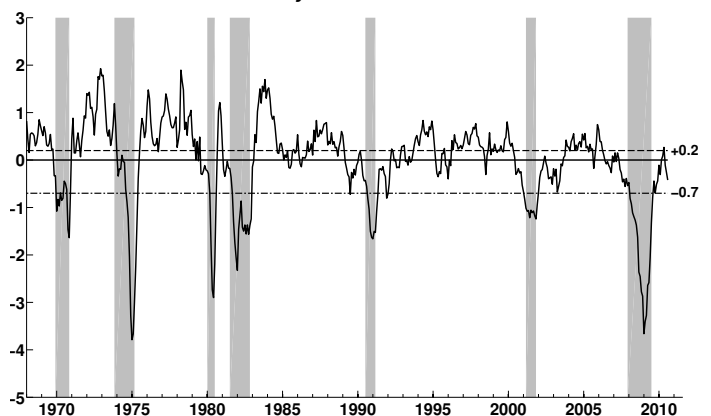
The July monthly index was revised to -0.11 from an initial estimate of zero. Revisions to the monthly index can be attributed to two factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. It should also be noted that two discontinued indicators (both derived from the Conference Board's Help-Wanted Advertising Index) were replaced this month, affecting the index's history. These changes are described in the report referenced previously. Even with these changes, the downward revision to the July monthly index was primarily due to revisions in previously published data.

CFNAI-MA3 and Inflation Cycles



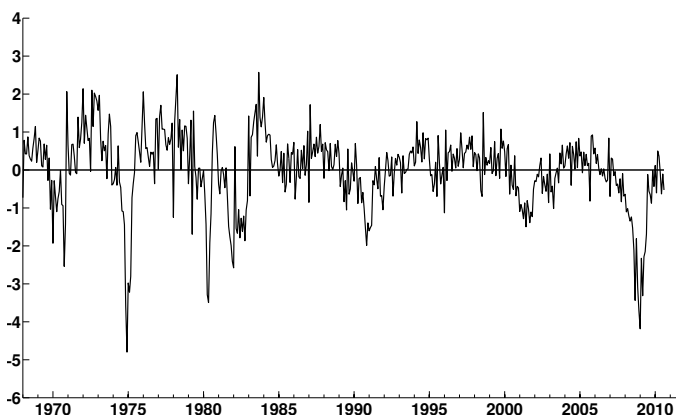
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above +0.70 more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above +1.00 more than two years into an economic expansion indicates a substantial likelihood that a period of sustained increasing inflation has begun.

CFNAI-MA3 and Business Cycles



Notes: Shading indicates official periods of recession as identified by the National Bureau of Economic Research. 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 -0.70 following a period of economic contraction indicates an increasing likelihood that a recession has ended. A CFNAI-MA3 value above +0.20 following a period of economic contraction indicates a significant likelihood that a recession has ended.

CFNAI, Monthly Index



2010 CFNAI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
<i>October 25, 2010</i>	<i>September 2010</i>
<i>November 22, 2010</i>	<i>October 2010</i>
<i>December 20, 2010</i>	<i>November 2010</i>