Chicago Fed National Activity Index

Index shows slower economic activity in January

Led by declines in production-related indicators, the Chicago Fed National Activity Index decreased to –0.16 in January from +0.18 in December. Three of the four broad categories of indicators that make up the index made positive contributions in January, but they were offset by continued weakness in the consumption and housing category.

The index’s three-month moving average, CFNAI-MA3, edged up to –0.10 in January from –0.14 in December, increasing for the third straight month. January’s CFNAI-MA3 suggests that growth in national economic activity was slightly 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.

The consumption and housing category’s contribution to the index improved from –0.43 in December to –0.38 in January, the first increase in five months. Housing starts increased to 596,000 annualized units in January from 520,000 in December, while building permits fell to 562,000 annualized units in January from 627,000 in the previous month.
Production-related indicators made a contribution of +0.05 to the index in January, down from +0.45 in December. Total industrial production ticked down 0.1 percent in January after rising 1.2 percent in December. However, the Institute for Supply Management’s Manufacturing Purchasing Managers’ Index increased to 60.8 in January from 58.5 in December.

The sales, orders, and inventories category contributed +0.06 to the index in January, up from +0.02 in December. The Institute for Supply Management’s Manufacturing New Orders Index rose to 67.8 in January from 62.0 in the previous month, reaching its highest level since January 2004.

Employment-related indicators made a contribution of +0.11 to the index in January, edging down from +0.15 in December. Total nonfarm payroll employment rose by 36,000 in January after increasing by 121,000 in December. However, manufacturing payrolls rose by 49,000 in January, and the unemployment rate declined to 9.0 percent in January from 9.4 percent in December.

Thirty-nine of the 85 individual indicators made positive contributions to the index in January, while 46 made negative contributions. Thirty-nine indicators improved from December to January, while 45 indicators deteriorated and one was unchanged. Of the indicators that improved, 12 made negative contributions. The index was constructed using data available as of February 17, 2011. 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 +0.18 from an initial estimate of +0.03. 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 December monthly index was primarily due to revisions in previously published data.