

## News Release

Embargoed for release:

8:30 am Eastern Time

7:30 am Central Time

June 23, 2011

Contact:

Laura LaBarbera

Media Relations

Federal Reserve Bank of Chicago

312-322-2387

### 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:

July 25, 2011

8:30 am Eastern Time

7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed National Activity Index

Index shows economic growth remained below average in May

Led by improvements in production-related indicators, the Chicago Fed National Activity Index increased to  $-0.37$  in May from  $-0.56$  in April. Two of the four broad categories of indicators that make up the index improved from April, but only the production and income category made a positive contribution to the index in May. Employment-related indicators made a small negative contribution to the index for the second straight month.

The index's three-month moving average, CFNAI-MA3, declined to  $-0.19$  in May from  $-0.15$  in April, remaining negative for a second consecutive month and reaching its lowest level since November 2010. May's CFNAI-MA3 suggests that growth in national economic activity was below its historical trend. With regard to inflation, the CFNAI-MA3 suggests subdued inflationary pressure from economic activity over the coming year.

Production-related indicators made a contribution of  $+0.05$  to the index in May, up from  $-0.16$  in April. Manufacturing production increased 0.4 percent in May after declining 0.6 percent in April, and manufacturing capacity utilization rose to 74.5 percent in May from 74.2 percent in the

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



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

	May '11	Apr '11	Mar '11	Feb '11	Jan '11	Dec '10	May '10
<b>CFNAI</b>							
Current	-0.37	-0.56	+0.34	-0.25	+0.15	+0.44	+0.10
Previous	N/A	-0.45	+0.32	-0.23	+0.17	+0.45	+0.10
<b>CFNAI-MA3</b>							
Current	-0.19	-0.15	+0.08	+0.12	+0.13	-0.04	+0.31
Previous	N/A	-0.12	+0.08	+0.13	+0.14	-0.04	+0.31

Current and Previous values reflect index values as of the June 23, 2011, release and May 23, 2011, release, respectively. N/A indicates not applicable.

previous month. In contrast, the Institute for Supply Management's Manufacturing Purchasing Managers' Production Index declined sharply to 54.0 in May from 63.8 in April.

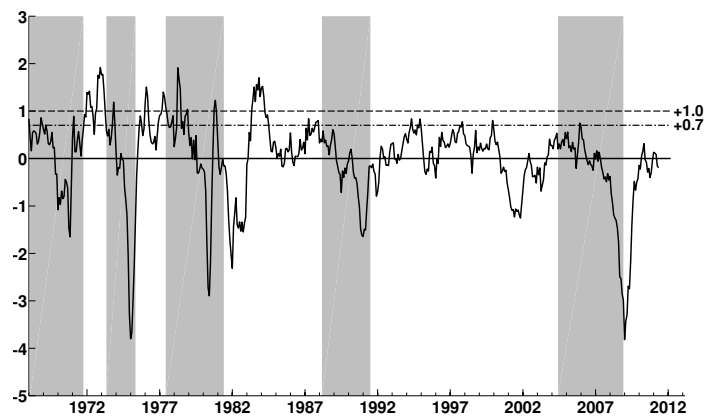
The consumption and housing category contributed  $-0.36$  to the index in May, up from  $-0.40$  in April. Housing starts increased to 560,000 annualized units in May from 541,000 in April, and building permits rose to 612,000 annualized units in May from 563,000 in the previous month.

Employment-related indicators made a contribution of  $-0.04$  to the index in May, down slightly from  $-0.02$  in April. Nonfarm payrolls increased by 54,000 in May after rising by 232,000 in the previous month, while average weekly initial unemployment insurance claims edged lower in May after rising by nearly 40,000 in April. The sales, orders, and inventories category also made a small negative contribution to the index in May of  $-0.02$ , down from  $+0.02$  in April.

Forty of the 85 individual indicators made positive contributions to the index in May, while 45 made negative contributions. Forty-four indicators improved from April to May, while 40 indicators deteriorated and one was unchanged. Of the indicators that improved, 17 made negative contributions. The index was constructed using data available as of June 17, 2011. At that time, May data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

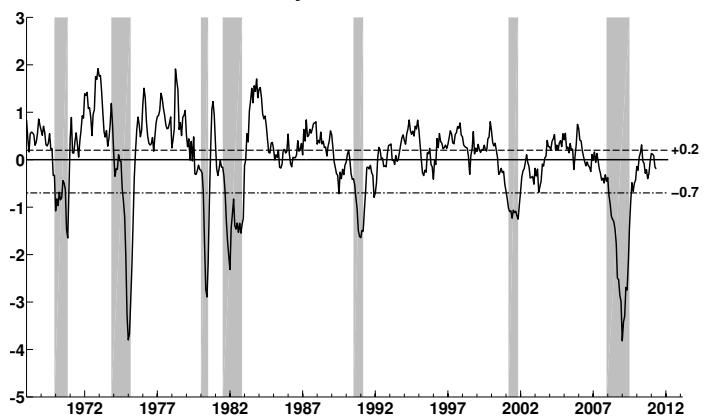
The April monthly index was revised to  $-0.56$  from an initial estimate of  $-0.45$ . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The downward revision to the April monthly index was due primarily to differences between the estimates of previously unavailable data and subsequently published data.

### CFNAI-MA3 and Inflation Cycles



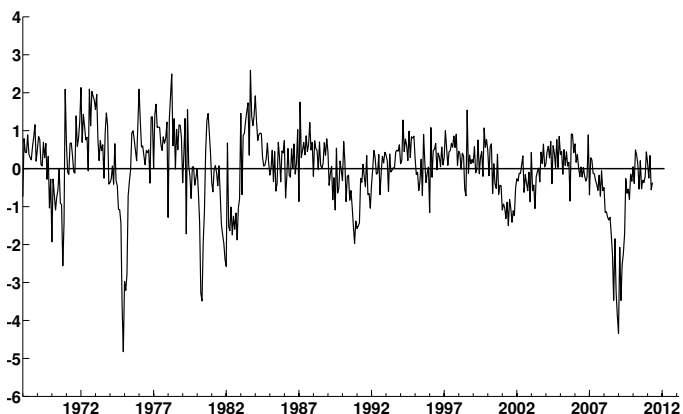
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above  $+0.70$  more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above  $+1.00$  more than two years into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



### 2011 CFNAI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
<i>July 25, 2011</i>	<i>June 2011</i>
<i>August 22, 2011</i>	<i>July 2011</i>
<i>September 26, 2011</i>	<i>August 2011</i>
<i>October 24, 2011</i>	<i>September 2011</i>
<i>November 21, 2011</i>	<i>October 2011</i>
<i>December 22, 2011</i>	<i>November 2011</i>