

## News Release

Embargoed for release:  
8:30 am Eastern Time  
7:30 am Central Time  
May 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:  
June 23, 2011  
8:30 am Eastern Time  
7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed National Activity Index

## Index shows economic activity weakened in April

Led by declines in production-related indicators, the Chicago Fed National Activity Index fell to  $-0.45$  in April from  $+0.32$  in March. April marked the lowest reading of the index since August 2010. Three of the four broad categories of indicators that make up the index deteriorated from March, but two of those three categories made positive contributions to the index in April.

The index's three-month moving average, CFNAI-MA3, declined to  $-0.12$  in April from  $+0.08$  in March, turning negative for the first time since December 2010. April's CFNAI-MA3 suggests that growth in national economic activity was somewhat 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  $-0.16$  to the index in April, down sharply from  $+0.31$  in March. Manufacturing production decreased 0.4 percent in April after rising for nine consecutive months, and manufacturing capacity utilization declined to 74.4 percent in April from 74.8 percent in March. Parts shortages that resulted from the earthquakes in Japan contributed to a decline in motor vehicle and parts production.

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



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

	Apr '11	Mar '11	Feb '11	Jan '11	Dec '10	Nov '10	Apr '10
<b>CFNAI</b>							
Current	-0.45	+0.32	-0.23	+0.17	+0.45	-0.20	+0.34
Previous	N/A	+0.26	+0.16	+0.18	+0.47	-0.21	+0.32
<b>CFNAI-MA3</b>							
Current	-0.12	+0.08	+0.13	+0.14	-0.04	-0.29	+0.15
Previous	N/A	+0.20	+0.27	+0.15	-0.03	-0.30	+0.15

Current and Previous values reflect index values as of the May 23, 2011, release and April 28, 2011, release, respectively. N/A indicates not applicable.

Employment-related indicators made a contribution of +0.06 to the index in April, down from +0.24 in March. Private payrolls increased by 268,000 in April after rising by 231,000 in the previous month. However, the unemployment rate edged up to 9.0 percent in April from 8.8 percent in March, and average weekly initial unemployment insurance claims increased by nearly 40,000 in April. The sales, orders, and inventories category also made a small positive contribution to the index in March; its contribution was +0.04, down from +0.15 in March.

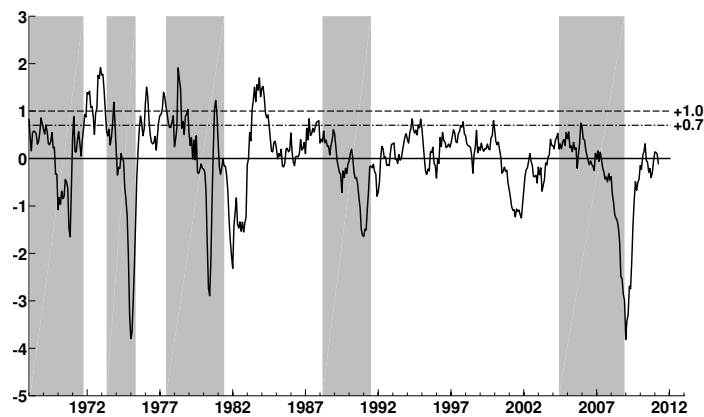
The consumption and housing category contributed -0.39 to the index for the second consecutive month. Housing starts declined to 523,000 annualized units in April from 585,000 in March, and building permits decreased to 551,000 annualized units in April from 574,000 in the previous month.

Thirty-seven of the 85 individual indicators made positive contributions to the index in April, while 48 made negative contributions.

Twenty-eight indicators improved from March to April, while 57 indicators deteriorated. Of the indicators that improved, 12 made negative contributions. The index was constructed using data available as of May 19, 2011. 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.

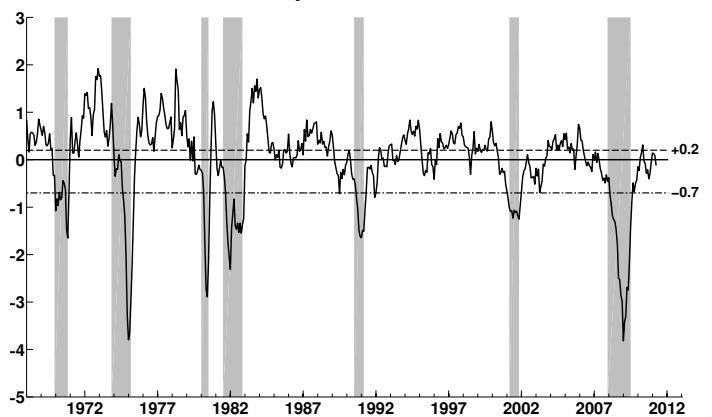
The March monthly index was revised to +0.32 from an initial estimate of +0.26, whereas the February monthly index was significantly revised to -0.23 from last month's estimate of +0.16. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The upward revision to the March monthly index and downward revision to the February monthly index were both due primarily to differences between the estimates of previously unavailable data and subsequently published data.

### CFNAI-MA3 and Inflation Cycles



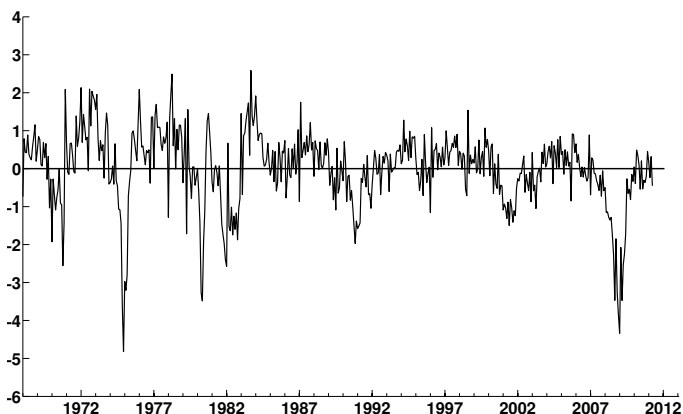
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above +0.70 more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above +1.00 more than two years into an economic 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>June 23, 2011</i>	<i>May 2011</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>