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.

The next CFNAI will be released:
June 23, 2011
8:30 am Eastern Time
7:30 am Central Time

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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.

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**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.

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**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 below −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.

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**2011 CFNAI Release Dates**

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CFNAI historical data and background information are available at www.chicagofed.org/cfnai.