

## News Release

Embargoed for release:  
8:30 am Eastern Time  
7:30 am Central Time  
November 21, 2011

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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:  
December 22, 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 up slightly in October

Led by improvements in production-related indicators, the Chicago Fed National Activity Index edged up to  $-0.13$  in October from  $-0.20$  in September. Two of the four broad categories of indicators that make up the index improved from September, and only the consumption and housing category remained negative in October.

The index's three-month moving average, CFNAI-MA3, decreased to  $-0.27$  in October from  $-0.16$  in September. October's CFNAI-MA3 suggests that growth in national economic activity was below its historical trend. Likewise, the economic slack reflected in this level of the CFNAI-MA3 suggests subdued inflationary pressure from economic activity over the coming year.

Production-related indicators made a contribution of  $+0.15$  to the index in October, up from  $-0.05$  in September. Industrial production rose 0.7 percent in October after ticking down 0.1 percent in the previous month. Manufacturing production rose 0.5 percent in October after increasing 0.3 percent in September. Additionally, manufacturing capacity utilization increased to 75.4 percent in October from 75.1 percent in the previous month.

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



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

	Oct '11	Sep '11	Aug '11	Jul '11	Jun '11	May '11	Oct '10
<b>CFNAI</b>							
Current	-0.13	-0.20	-0.49	+0.21	-0.42	-0.35	-0.35
Previous	N/A	-0.22	-0.59	+0.19	-0.43	-0.37	-0.35
<b>CFNAI-MA3</b>							
Current	-0.27	-0.16	-0.23	-0.19	-0.54	-0.25	-0.36
Previous	N/A	-0.21	-0.28	-0.20	-0.55	-0.26	-0.36

Current and Previous values reflect index values as of the November 21, 2011, release and October 24, 2011, release, respectively. N/A indicates not applicable.

The employment-related indicators' contribution to the index in October was +0.03, down from +0.14 in September. Payroll employment edged up 80,000 in October after increasing 158,000 in the previous month. In contrast, the unemployment rate edged down from 9.1 percent in September to 9.0 percent in October. The sales, orders, and inventories category contributed +0.01 to the index in October, up slightly from -0.01 in September.

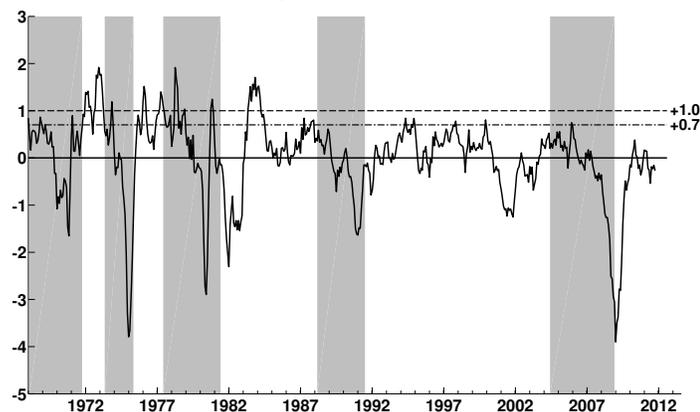
The contribution from the consumption and housing category to the index decreased to -0.32 in October from -0.28 in September. Housing starts edged down to 628,000 annualized units in October from 630,000 in September. Conversely, housing permits increased to 653,000 annualized units from 589,000 over the same period.

Forty-six of the 85 individual indicators made positive contributions to the index in October, while 39 made negative contributions.

Fifty-two indicators improved from September to October, while 33 indicators deteriorated. Of the indicators that improved, 17 made negative contributions. The index was constructed using data available as of November 18, 2011. At that time, October data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

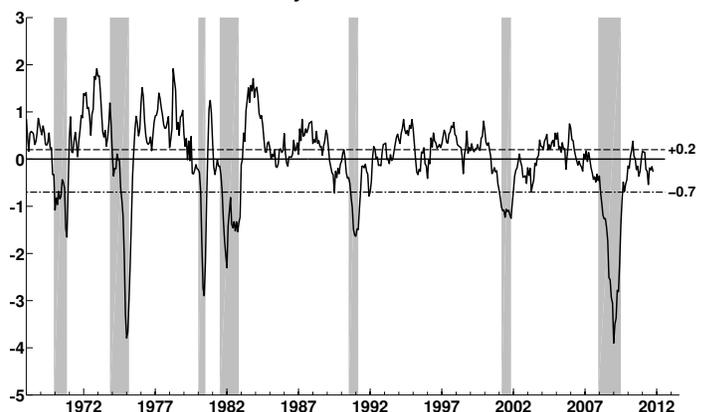
The September monthly index was revised to -0.20 from an initial estimate of -0.22. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The revision to the September monthly index was due primarily to the latter.

### CFNAI-MA3 and Inflation Cycles



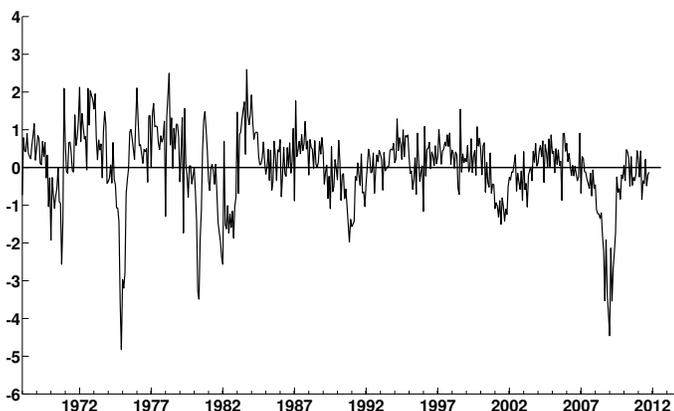
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above +0.70 more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above +1.00 more than two years into an economic 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 and 2012 CFNAI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
<b>December 22, 2011</b>	<b>November 2011</b>
<b>January 26, 2012</b>	<b>December 2011</b>
<b>February 21, 2012</b>	<b>January 2012</b>
<b>March 26, 2012</b>	<b>February 2012</b>
<b>April 26, 2012</b>	<b>March 2012</b>
<b>May 21, 2012</b>	<b>April 2012</b>
<b>June 25, 2012</b>	<b>May 2012</b>
<b>July 23, 2012</b>	<b>June 2012</b>
<b>August 20, 2012</b>	<b>July 2012</b>
<b>September 24, 2012</b>	<b>August 2012</b>
<b>October 25, 2012</b>	<b>September 2012</b>
<b>November 26, 2012</b>	<b>October 2012</b>
<b>December 21, 2012</b>	<b>November 2012</b>