

## News Release

Embargoed for release:

8:30 am Eastern Time

7:30 am Central Time

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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:

October 24, 2011

8:30 am Eastern Time

7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed National Activity Index

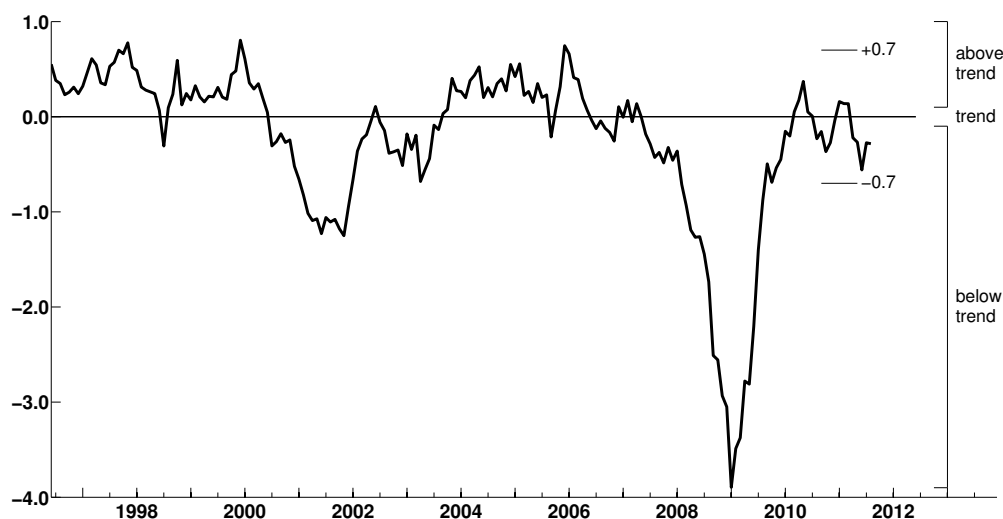
## Index shows economic activity weakened in August

Led by declines in production- and employment-related indicators, the Chicago Fed National Activity Index decreased to  $-0.43$  in August from  $+0.02$  in July. Contributions from three of the four broad categories of indicators that make up the index declined from July, and three of the four were negative in August.

The index's three-month moving average, CFNAI-MA3, ticked down to  $-0.28$  in August from  $-0.27$  in July. August'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  $+0.01$  to the index in August, down from  $+0.26$  in July. Industrial production edged up 0.2 percent in August after rising 0.9 percent in July. Manufacturing production slowed, increasing 0.5 percent in August after increasing 0.6 percent in the previous month; but capacity utilization increased to 75.0 percent from 74.7 percent over the same period.

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



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

	Aug '11	Jul '11	Jun '11	May '11	Apr '11	Mar '11	Aug '10
<b>CFNAI</b>							
Current	-0.43	+0.02	-0.44	-0.40	-0.84	+0.43	-0.47
Previous	N/A	-0.06	-0.38	-0.44	-0.81	+0.41	-0.49
<b>CFNAI-MA3</b>							
Current	-0.28	-0.27	-0.56	-0.27	-0.22	+0.14	-0.23
Previous	N/A	-0.29	-0.54	-0.28	-0.22	+0.12	-0.24

Current and Previous values reflect index values as of the September 26, 2011, release and August 22, 2011, release, respectively. N/A indicates not applicable.

Employment-related indicators contributed  $-0.08$  to the index in August, declining from  $+0.12$  in July. Total nonfarm payroll employment saw no increase in August after edging up 85,000 in July, and the unemployment rate remained at 9.1 percent over the same period.

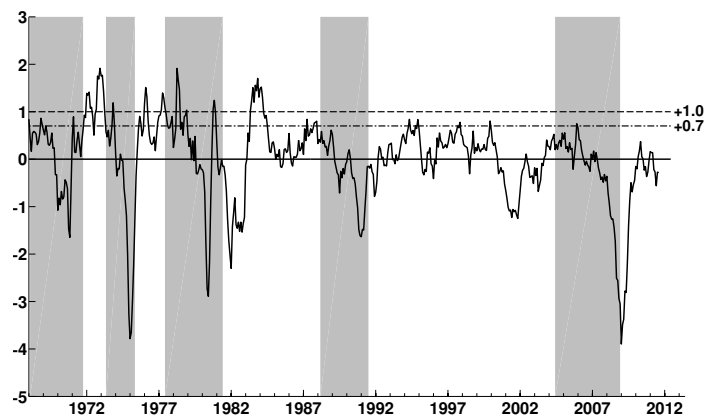
The consumption and housing category's contribution ticked down to  $-0.35$  in August from  $-0.33$  in July. Housing starts declined to 571,000 annualized units in August from 601,000 in July. However, housing permits increased to 620,000 annualized units from 601,000 over the same period.

The sales, orders, and inventories category contributed  $-0.01$  to the index in August, up slightly from  $-0.03$  in July. The Institute for Supply Management's Manufacturing Purchasing Managers' New Orders Index edged up to 49.6 in August from 49.2 in July, but remained below 50 for the second month in a row.

Forty-one of the 85 individual indicators made positive contributions to the index in August, while 44 made negative contributions. Thirty-five indicators improved from July to August, while 49 indicators deteriorated and one was unchanged. Of the indicators that improved, 15 made negative contributions. The index was constructed using data available as of September 22, 2011. At that time, August data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

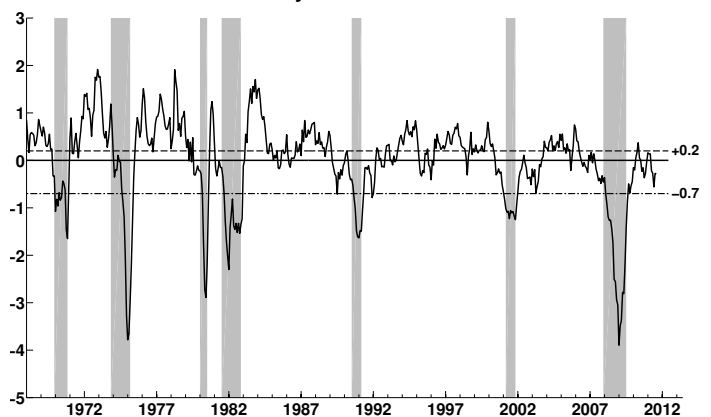
The July monthly index was revised to  $+0.02$  from an initial estimate of  $-0.06$ . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The revision to the July monthly index was due primarily to the former.

### CFNAI-MA3 and Inflation Cycles



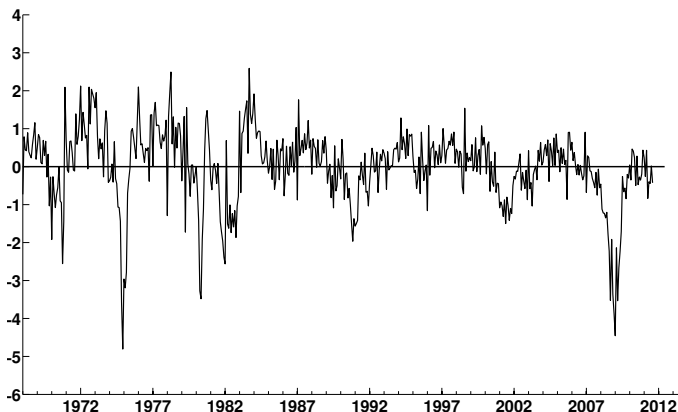
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above  $+0.70$  more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above  $+1.00$  more than two years into 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>
<b>October 24, 2011</b>	<b>September 2011</b>
<b>November 21, 2011</b>	<b>October 2011</b>
<b>December 22, 2011</b>	<b>November 2011</b>