

News Release

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What is the National Activity Index?

The index is a weighted average of 85 indicators of national economic activity 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 three index values?

Each month, we provide a monthly index, its three-month moving average, and a diffusion index. Month-to-month movements can be volatile, so the monthly index's three-month moving average, the CFNAI-MA3, provides a more consistent picture of national economic growth. The CFNAI Diffusion Index captures the degree to which a change in the monthly index is spread out among its 85 indicators, averaged over a three-month period.

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:

May 21, 2012

8:30 am Eastern Time

7:30 am Central Time

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Chicago Fed National Activity Index

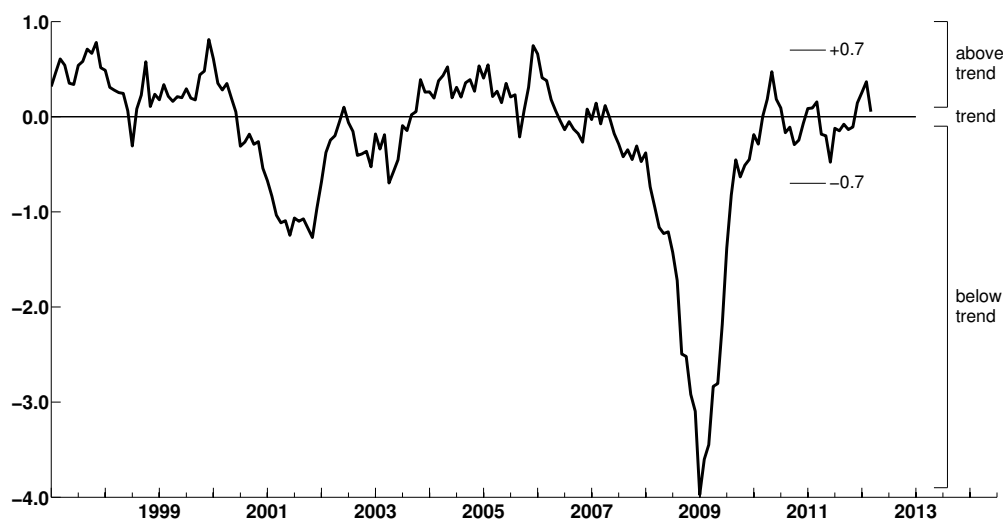
Index shows economic activity decreased in March

Led by declines in production-related indicators, the Chicago Fed National Activity Index (CFNAI) decreased to -0.29 in March from $+0.07$ in February. All four broad categories of indicators that make up the index deteriorated from February, with the production and income and personal consumption and housing categories both making a negative contribution to the index in March.

The index's three-month moving average, CFNAI-MA3, decreased to $+0.05$ in March from $+0.37$ in February. March's CFNAI-MA3 suggests that growth in national economic activity was near its historical trend. The economic growth reflected in this level of the CFNAI-MA3 suggests subdued inflationary pressure from economic activity over the coming year.

The CFNAI Diffusion Index also moved lower in March, declining to $+0.25$ from $+0.48$ in the previous month. Forty of the 85 individual indicators made positive contributions to the CFNAI in March, while 45 made negative contributions. Thirty-three indicators improved from February to March, while 51 indicators deteriorated and one was unchanged. Of the indicators that improved, six made negative contributions.

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



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

	Mar '12	Feb '12	Jan '12	Dec '11	Nov '11	Oct '11	Mar '11
CFNAI							
Current	-0.29	+0.07	+0.38	+0.65	-0.27	+0.05	+0.52
Previous	N/A	-0.09	+0.33	+0.66	-0.33	+0.02	+0.49
CFNAI-MA3							
Current	+0.05	+0.37	+0.25	+0.15	-0.11	-0.14	+0.16
Previous	N/A	+0.30	+0.22	+0.12	-0.15	-0.16	+0.16
CFNAI Diffusion							
Current	+0.25	+0.48	+0.25	+0.13	-0.01	+0.06	+0.25
Previous	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Current and Previous values reflect index values as of the April 26, 2012, release and March 26, 2012, release, respectively. N/A indicates not applicable.

The contribution from production-related indicators to the CFNAI declined to -0.13 in March from $+0.12$ in February. Total industrial production was unchanged in both March and February, while manufacturing production edged down 0.2 percent in March after increasing 0.8 percent in February. Similarly, manufacturing capacity utilization decreased to 77.8 percent in March from 78.0 percent in the previous month.

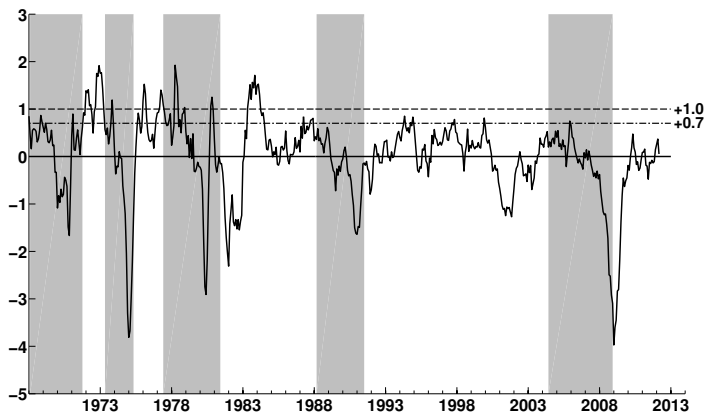
Employment-related indicators contributed $+0.09$ to the CFNAI in March, down from $+0.16$ in February. Total payroll employment increased by 120,000 in March after rising by 240,000 in February. In contrast, the unemployment rate decreased from 8.3 percent in February to 8.2 percent in March, and average weekly initial claims for unemployment insurance reached a four-year low.

The contribution from the consumption and housing category to the CFNAI was -0.28 in March, down from -0.24 in February.

Housing starts edged down to 654,000 annualized units in March from 694,000 in February, while housing permits increased to 747,000 annualized units from 715,000 over the same period. The contribution from the sales, orders, and inventories category to the CFNAI also decreased, ticking down to $+0.03$ in March from $+0.04$ in February.

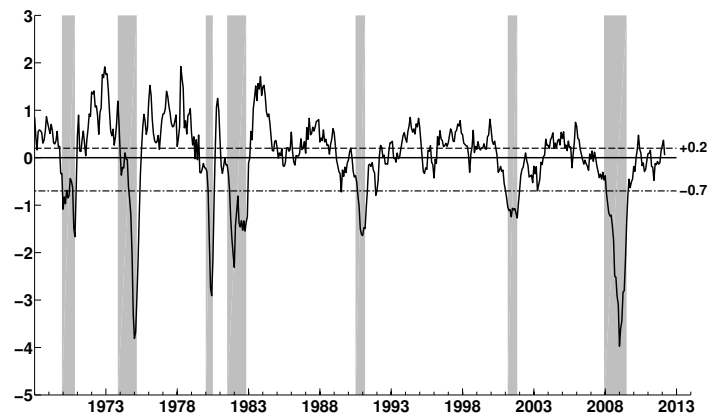
The CFNAI was constructed using data available as of April 19, 2012. At that time, March data for 51 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index. The February monthly index was revised to $+0.07$ from an initial estimate of -0.09 . Revisions 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 February monthly index was due primarily to the former.

CFNAI-MA3 and Inflation Cycles



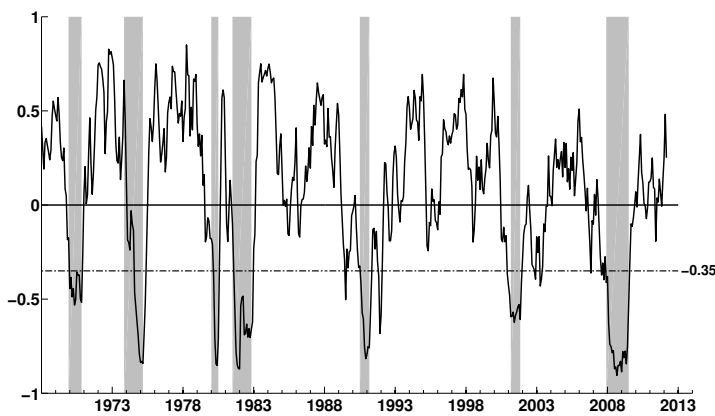
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above $+0.70$ more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above $+1.00$ more than two years into an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



Notes: Shading indicates official periods of recession as identified by the National Bureau of Economic Research. The CFNAI Diffusion Index represents the sum of the absolute values of the weights for the underlying indicators whose contribution to the CFNAI is positive in a given month less the sum of the absolute values of the weights for those indicators whose contribution is negative or neutral in a given month. Periods of economic expansion have historically been associated with values of the three-month moving average of the CFNAI Diffusion Index above -0.35 .

CFNAI, Monthly Index

