The Chicago Fed National Activity Index decreased to +0.22 in January from +0.54 in December, but remained positive for the second straight month for the first time in a year. Three of the four broad categories of indicators that make up the index improved from December, and only the consumption and housing category’s contribution was negative in January.

The index’s three-month moving average, CFNAI-MA3, increased from +0.06 in December to +0.14 in January, reaching its highest level since March 2011. January’s CFNAI-MA3 suggests that growth in national economic activity was slightly above its historical trend. The economic growth reflected in this level of the CFNAI-MA3 suggests limited inflationary pressure from economic activity over the coming year.

Employment-related indicators made a contribution of +0.35 to the index in January, up from +0.28 in December. Civilian employment rose by 0.6 percent in January, following a smaller increase of 0.1 percent in the previous month. Likewise, the unemployment rate decreased to 8.3 percent in January from 8.5 percent in December.
The contribution from production-related indicators to the index declined to +0.11 in January from +0.54 in December. Manufacturing production rose by 0.7 percent in January after a much larger increase of 1.5 percent in December. In contrast, industrial production was unchanged in January after rising 1.0 percent in December. The sales, orders, and inventories category also made a positive contribution to the index in January; its contribution was +0.03, up slightly from zero in the previous month.

The contribution from the consumption and housing category to the index was −0.27 in January, up slightly from −0.30 in December. Housing starts increased to 699,000 annualized units in January from 689,000 in December, and housing permits edged up to 676,000 annualized units from 671,000 over the same period.

Fifty of the 85 individual indicators made positive contributions to the index in January, while 35 made negative contributions. Forty-eight indicators improved from December to January, while 36 indicators deteriorated and one was unchanged. Of the indicators that improved, 15 made negative contributions. The index was constructed using data available as of February 16, 2012. At that time, January data for 49 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

The December monthly index was revised to +0.54 from an initial estimate of +0.17. 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 December monthly index was due primarily to the former. The magnitude of this particular revision was principally due to large upward revisions to several industrial production indicators.

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