

## 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:

March 26, 2012

8:30 am Eastern Time

7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed National Activity Index

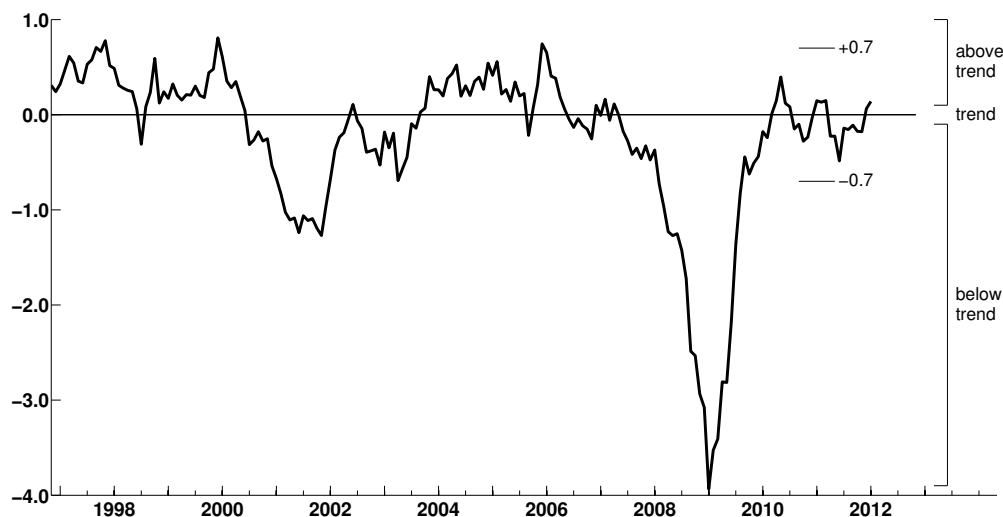
## Index shows economic growth in January again above average

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.

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



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

	Jan '12	Dec '11	Nov '11	Oct '11	Sep '11	Aug '11	Jan '11
<b>CFNAI</b>							
Current	+0.22	+0.54	-0.34	-0.01	-0.18	-0.33	+0.27
Previous	N/A	+0.17	-0.46	+0.04	-0.15	-0.37	+0.23
<b>CFNAI-MA3</b>							
Current	+0.14	+0.06	-0.18	-0.17	-0.11	-0.16	+0.15
Previous	N/A	-0.08	-0.19	-0.16	-0.12	-0.19	+0.15

Current and Previous values reflect index values as of the February 21, 2012, release and January 26, 2012, release, respectively. N/A indicates not applicable.

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.

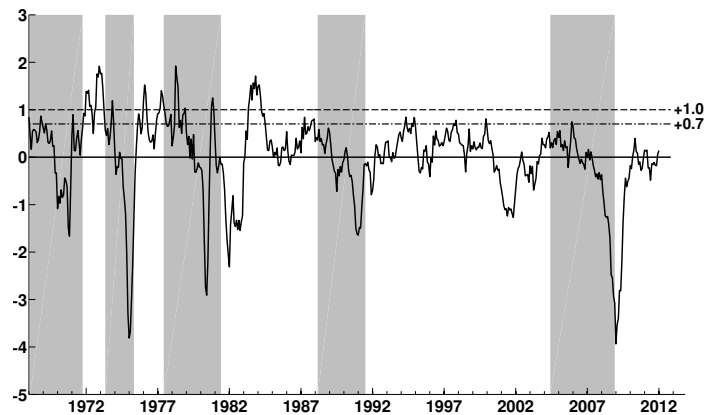
The contribution from the consumption and housing category to the index was -0.27 in January, up slightly from -0.30 in December. Housing starts increased to 699,000 annualized units in January from 689,000 in December, and housing permits edged up to 676,000 annualized units from 671,000 over the same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

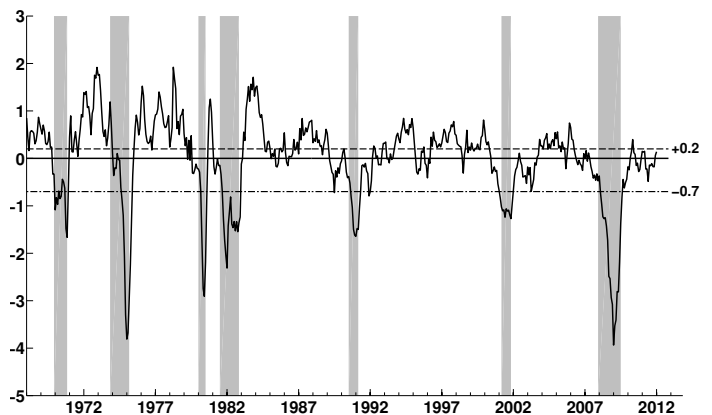
The December monthly index was revised to +0.54 from an initial estimate of +0.17. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The revision 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-MA3 and Inflation Cycles



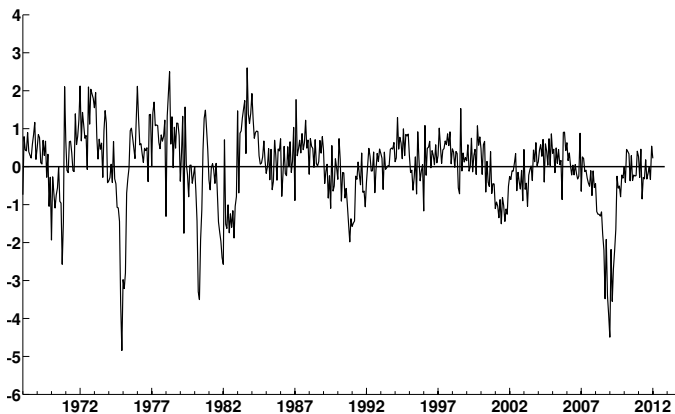
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above +0.70 more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above +1.00 more than two years into an economic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



### 2012 CFNAI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
<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>