

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:

October 25, 2012

8:30 am Eastern Time

7:30 am Central Time

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Chicago Fed National Activity Index

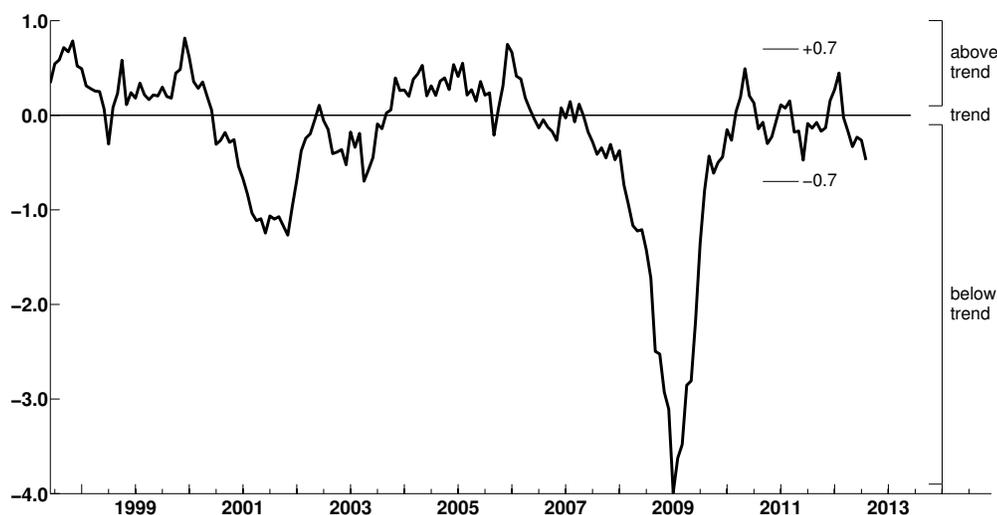
Index shows economic activity weakened in August

Led by declines in production-related indicators, the Chicago Fed National Activity Index (CFNAI) decreased to -0.87 in August from -0.12 in July. All four broad categories of indicators that make up the index deteriorated from July, with each making a negative contribution to the index in August.

The index's three-month moving average, CFNAI-MA3, decreased from -0.26 in July to -0.47 in August—its lowest level since June 2011 and its sixth consecutive reading below zero. August's CFNAI-MA3 suggests that growth in national economic activity was below 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 August, declining to -0.23 from -0.08 in July. Twenty-six of the 85 individual indicators made positive contributions to the CFNAI in August, while 59 made negative contributions. Twenty-nine indicators improved from July to August, while 55 indicators deteriorated and one was unchanged. Of the indicators that improved, 12 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

	Aug '12	Jul '12	Jun '12	May '12	Apr '12	Mar '12	Aug '11
CFNAI							
Current	-0.87	-0.12	-0.43	-0.24	-0.03	-0.73	-0.40
Previous	N/A	-0.13	-0.34	-0.17	-0.02	-0.75	-0.41
CFNAI-MA3							
Current	-0.47	-0.26	-0.23	-0.33	-0.17	-0.02	-0.14
Previous	N/A	-0.21	-0.18	-0.31	-0.18	-0.03	-0.14
CFNAI Diffusion							
Current	-0.23	-0.08	-0.09	-0.12	+0.06	+0.15	-0.01
Previous	N/A	-0.05	-0.02	-0.09	+0.09	+0.15	-0.01

Current and Previous values reflect index values as of the September 24, 2012, release and August 20, 2012, release, respectively. N/A indicates not applicable.

The contribution from production-related indicators to the CFNAI declined to -0.58 in August from $+0.08$ in July. Total industrial production fell 1.2 percent in August after increasing 0.5 percent in July, and manufacturing capacity utilization decreased to 77.0 percent in August from 77.7 percent in the previous month.

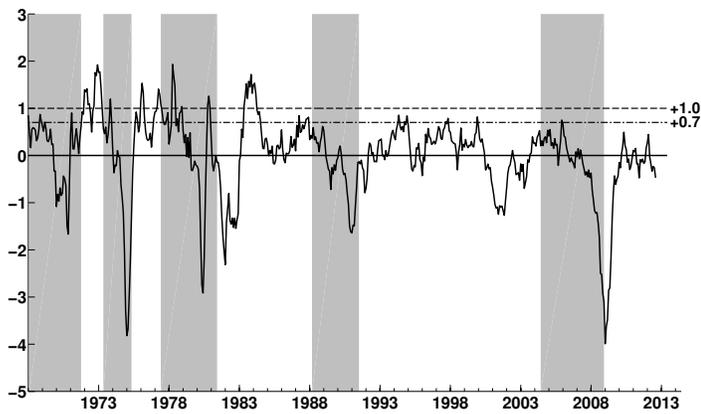
Employment-related indicators contributed -0.04 to the CFNAI in August, down very slightly from -0.02 in July. The unemployment rate edged down to 8.1 percent in August from 8.3 percent in July, but initial claims for unemployment insurance increased to 371,000 in August from 366,000 in the previous month. In addition, nonfarm payrolls increased 96,000 in August, compared with 141,000 in July.

The contribution from the consumption and housing category to the CFNAI also decreased slightly in August, moving down to -0.23 from -0.21 in July. Housing starts increased to 750,000 annualized units

in August from 733,000 in July, but housing permits edged lower to 803,000 annualized units from 811,000 over the same period. The sales, orders, and inventories category made a contribution of -0.01 to the CFNAI in August, down from $+0.02$ in July.

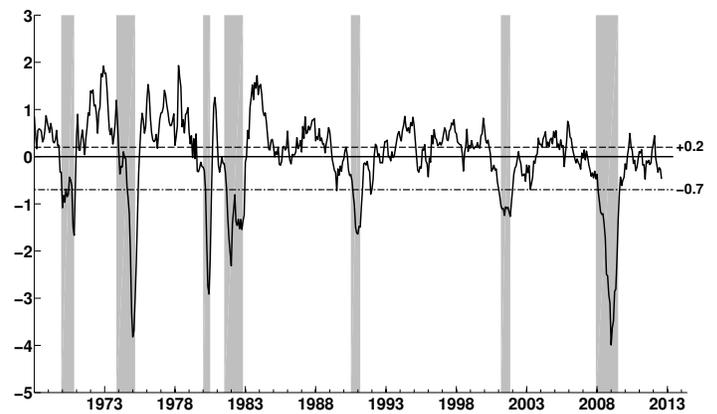
The CFNAI was constructed using data available as of September 20, 2012. At that time, August data for 51 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index. The July monthly index was revised to -0.12 from an initial estimate of -0.13 . Revisions 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 latter.

CFNAI-MA3 and Inflation Cycles



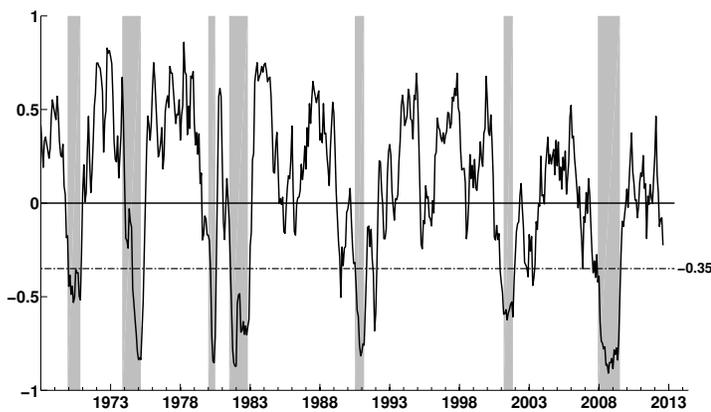
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above $+0.70$ more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above $+1.00$ more than two years into an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

