

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:

September 23, 2013

8:30 am Eastern Time

7:30 am Central Time

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Chicago Fed National Activity Index

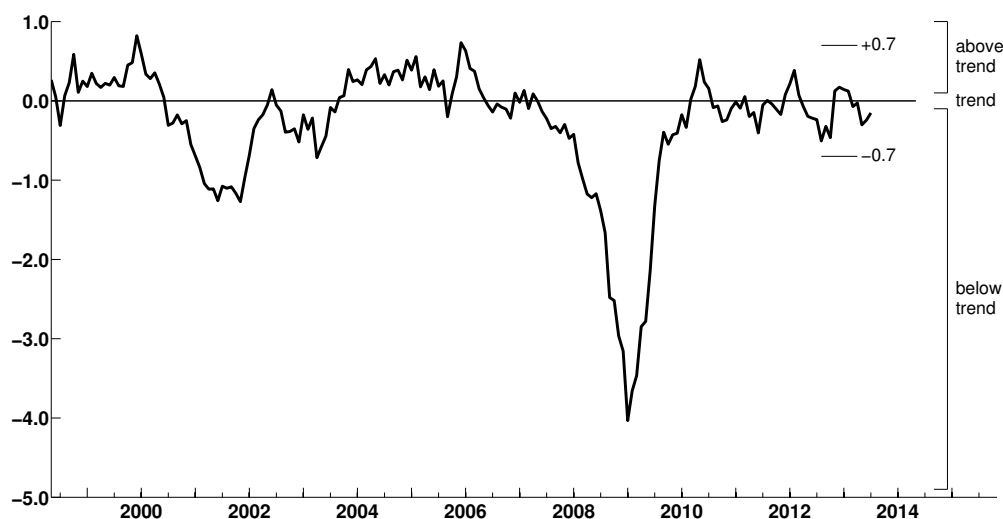
Index shows economic growth in July again below average

The Chicago Fed National Activity Index (CFNAI) edged up to -0.15 in July from -0.23 in June. Three of the four broad categories of indicators that make up the index increased slightly from June, but only two of the four categories made positive contributions to the index in July.

The index's three-month moving average, CFNAI-MA3, increased to -0.15 in July from -0.24 in June, marking its fifth consecutive reading below zero. July'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 increased to -0.02 in July from -0.08 in June. Thirty-eight of the 85 individual indicators made positive contributions to the CFNAI in July, while 47 made negative contributions. Fifty-three indicators improved from June to July, while 32 indicators deteriorated. Of the indicators that improved, 21 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

	Jul '13	Jun '13	May '13	Apr '13	Mar '13	Feb '13	Jul '12
CFNAI							
Current	-0.15	-0.23	-0.07	-0.43	-0.41	+0.76	-0.05
Previous	N/A	-0.13	-0.29	-0.37	-0.45	+0.60	-0.04
CFNAI-MA3							
Current	-0.15	-0.24	-0.30	-0.03	-0.07	+0.12	-0.24
Previous	N/A	-0.26	-0.37	-0.07	-0.14	+0.07	-0.21
CFNAI Diffusion							
Current	-0.02	-0.08	-0.16	-0.01	-0.05	+0.07	-0.09
Previous	N/A	-0.03	-0.19	+0.01	-0.03	+0.10	-0.08

Current and Previous values reflect index values as of the August 20, 2013, release and July 22, 2013, release, respectively. N/A indicates not applicable.

The contribution from the sales, orders, and inventories category to the CFNAI increased to +0.04 in July from -0.07 in June. The Institute for Supply Management's Manufacturing Purchasing Managers' New Orders Index rose to 58.3 in July from 51.9 in the previous month.

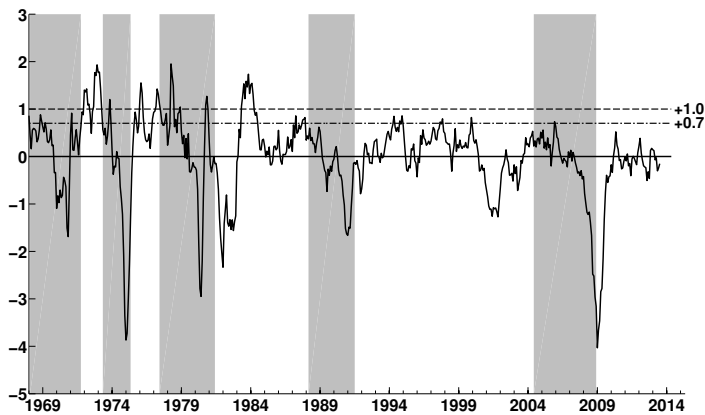
The contribution from the consumption and housing category to the CFNAI moved up to -0.15 in July from -0.20 in June. Housing permits increased to 943,000 annualized units in July from 918,000 in June, and housing starts rose to 896,000 annualized units in July from 846,000 in the previous month.

Employment-related indicators contributed +0.06 to the CFNAI in July, up slightly from +0.05 in June. The unemployment rate fell to 7.4 percent in July from 7.6 percent in June, but nonfarm payrolls rose by 162,000 in July after increasing by 188,000 in the previous month.

Production-related indicators contributed -0.10 to the CFNAI in July, down from -0.01 in June. Manufacturing production decreased 0.1 percent in July after rising 0.2 percent in June, and manufacturing capacity utilization ticked down to 75.8 percent in July from 75.9 percent in June.

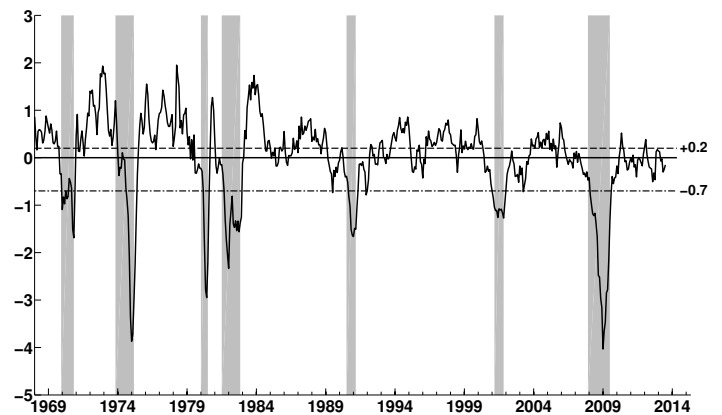
The CFNAI was constructed using data available as of August 16, 2013. At that time, July data for 50 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index. The June monthly index was revised to -0.23 from an initial estimate of -0.13, and the May monthly index was revised to -0.07 from last month's estimate of -0.29. 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. Revisions to the May and June monthly indexes were due primarily to the latter.

CFNAI-MA3 and Inflation Cycles



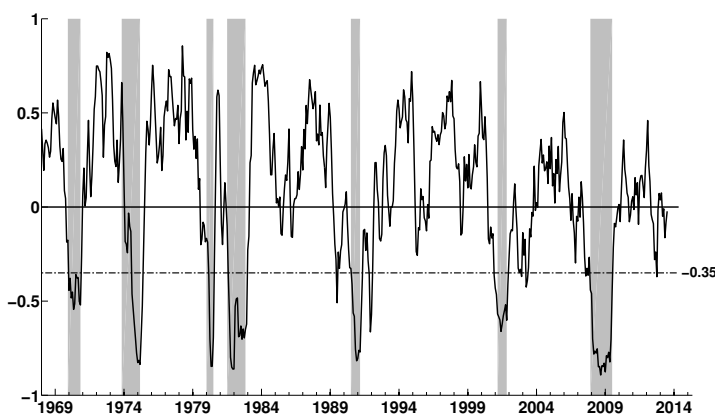
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above +0.70 more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above +1.00 more than two years into an economic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

