Chicago Fed National Activity Index

Index shows economic activity improved in July

Led by improvements in production-related indicators, the Chicago Fed National Activity Index increased to −0.06 in July from −0.38 in June. Three of the four broad categories of indicators that make up the index improved in July; only the sales, orders, and inventories category deteriorated from June.

The index's three-month moving average, CFNAI-MA3, increased to −0.29 in July from −0.54 in June. July's CFNAI-MA3 suggests that growth in national economic activity was below its historical trend. Likewise, the economic slack reflected in this level of the CFNAI-MA3 suggests subdued inflationary pressure from economic activity over the coming year.

Production-related indicators made a contribution of +0.28 to the index in July, up sharply from +0.03 in June. Industrial production increased 0.9 percent in July after rising 0.4 percent in June. Manufacturing production, particularly auto production, rebounded; and manufacturing capacity utilization rose to 75.0 percent in July from 74.6 percent in the previous month.

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Employment-related indicators contributed +0.05 to the index in July, an increase from −0.10 in June. Total nonfarm payroll employment increased by 117,000 in July after edging up 46,000 in June; and the unemployment rate ticked down to 9.1 percent in July from 9.2 percent in the previous month. The consumption and housing category also improved: Its contribution to the index was −0.33 in July, up slightly from −0.34 in June.

The sales, orders, and inventories category was the only one to deteriorate in July. It contributed −0.06 to the index in July, down from +0.03 in June. The Institute for Supply Management’s Manufacturing Purchasing Managers’ New Orders Index declined to 49.2 in July, falling below 50 for the first time since June 2009.

Forty-three of the 85 individual indicators made positive contributions to the index in July, while 42 made negative contributions.

Forty-six indicators improved from June to July, while 37 indicators deteriorated and two were unchanged. Of the indicators that improved, 13 made negative contributions. The index was constructed using data available as of August 18, 2011. At that time, July data for 52 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 −0.38 from an initial estimate of −0.46. 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 June monthly index was due primarily to the former.

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