

News Release

Embargoed for release:

8:30 am Eastern Time

7:30 am Central Time

July 21, 2014

Contact:

Laura LaBarbera

Media Relations

Federal Reserve Bank of Chicago

312-322-2387

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:

August 25, 2014

8:30 am Eastern Time

7:30 am Central Time

FEDERAL RESERVE BANK
OF CHICAGO

Chicago Fed National Activity Index

Index shows economic growth decelerated slightly in June

Led by slower growth in production-related indicators, the Chicago Fed National Activity Index (CFNAI) edged down to $+0.12$ in June from $+0.16$ in May. Two of the four broad categories of indicators that make up the index made nonpositive contributions to the index in June, but two of the four categories increased from May.

The index's three-month moving average, CFNAI-MA3, decreased to $+0.13$ in June from $+0.28$ in May, marking its fourth consecutive reading above zero. June's CFNAI-MA3 suggests that growth in national economic activity was somewhat 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.

The CFNAI Diffusion Index, which is also a three-month moving average, decreased to $+0.18$ in June from $+0.33$ in May. Forty-four of the 85 individual indicators made positive contributions to the CFNAI in June, while 41 made negative contributions. Forty indicators improved from May to June, while 43 indicators deteriorated and two were 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

	Jun '14	May '14	Apr '14	Mar '14	Feb '14	Jan '14	Jun '13
CFNAI							
Current	+0.12	+0.16	+0.11	+0.56	+0.51	-0.86	-0.11
Previous	N/A	+0.21	-0.15	+0.49	+0.59	-0.79	-0.12
CFNAI-MA3							
Current	+0.13	+0.28	+0.39	+0.07	-0.18	-0.12	-0.15
Previous	N/A	+0.18	+0.31	+0.10	-0.13	-0.10	-0.16
CFNAI Diffusion							
Current	+0.18	+0.33	+0.31	+0.12	-0.17	-0.08	+0.02
Previous	N/A	+0.23	+0.20	+0.13	-0.15	-0.08	+0.02

Current and Previous values reflect index values as of the July 21, 2014, release and June 23, 2014, release, respectively. N/A indicates not applicable.

Employment-related indicators contributed +0.22 to the CFNAI in June, up from +0.14 in May. The unemployment rate decreased to 6.1 percent in June from 6.3 percent in May; and nonfarm payrolls rose by 288,000 in June after increasing by 224,000 in the previous month.

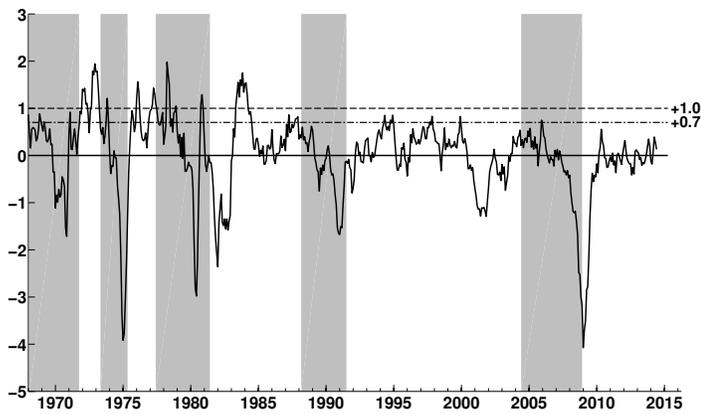
Production-related indicators made a neutral contribution to the CFNAI in June, down from +0.14 in May. Industrial production rose 0.2 percent in June after rising 0.5 percent in May, and manufacturing production increased 0.1 percent in June after increasing 0.4 percent in the previous month. The contribution of the sales, orders, and inventories category to the CFNAI remained at +0.04 in June.

The contribution from the consumption and housing category to the CFNAI edged up to -0.14 in June from -0.16 in May. Consumption

indicators, on balance, improved, pushing the category's contribution higher. However, housing starts decreased to 893,000 annualized units in June from 985,000 in May, and housing permits decreased to 963,000 annualized units in June from 1,005,000 in the previous month.

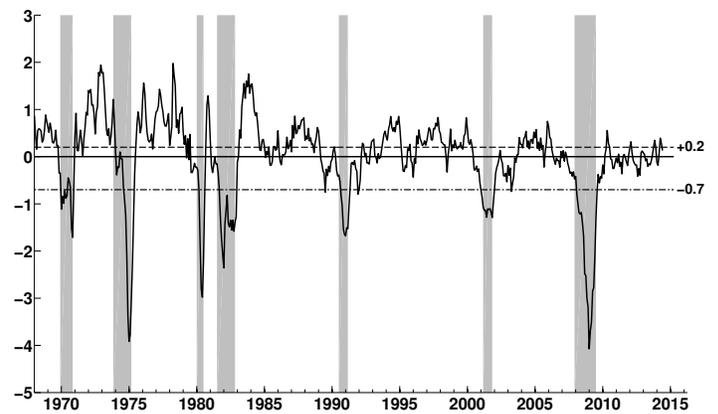
The CFNAI was constructed using data available as of July 17, 2014. At that time, June data for 50 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index. The May monthly index was revised to +0.16 from an initial estimate of +0.21, and the April monthly index was revised to +0.11 from last month's estimate of -0.15. 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 revisions to the May and April monthly indexes were due primarily to the former.

CFNAI-MA3 and Inflation Cycles



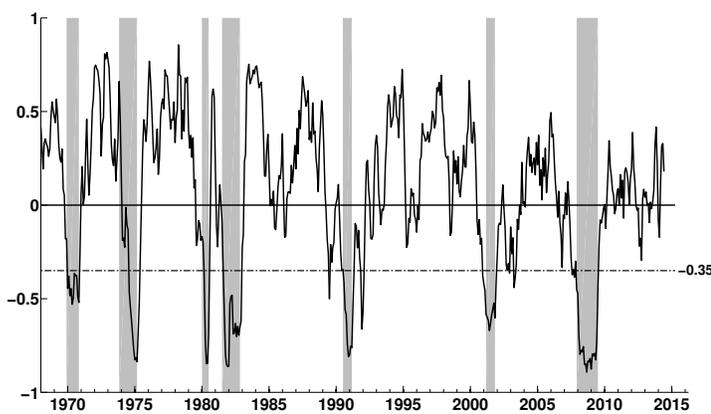
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above +0.70 more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above +1.00 more than two years into an economic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

