

# News Release

Embargoed for release:  
**8:30 am Eastern Time**  
**7:30 am Central Time**  
**June 22, 2015**

**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:**  
**July 23, 2015**  
**8:30 am Eastern Time**  
**7:30 am Central Time**

**FEDERAL RESERVE BANK  
 OF CHICAGO**

# Chicago Fed National Activity Index

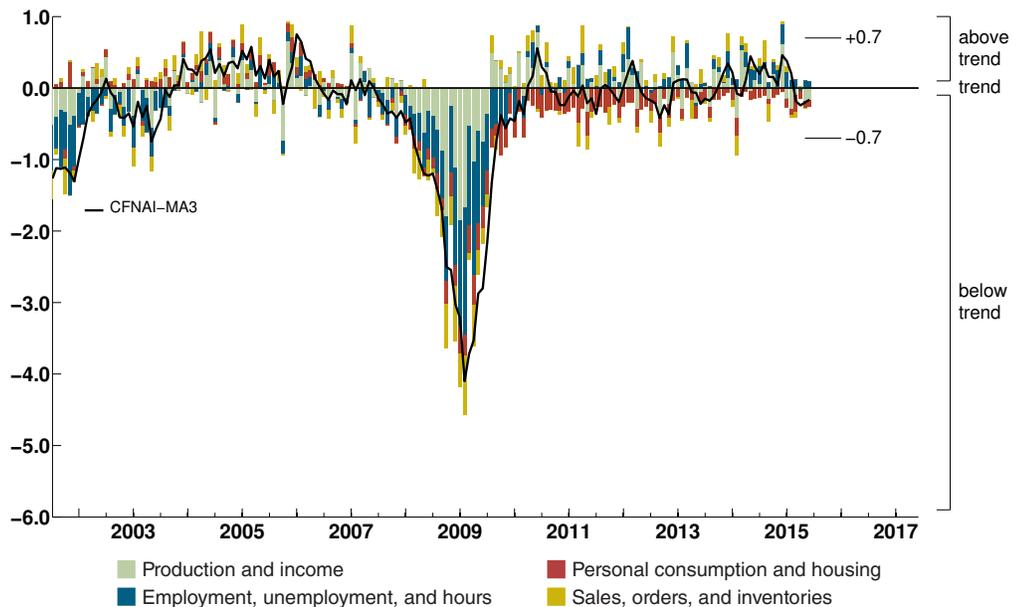
## Index shows economic growth slightly below average in May

The Chicago Fed National Activity Index (CFNAI) moved up to  $-0.17$  in May from  $-0.19$  in April. Two of the four broad categories of indicators that make up the index increased from April, but only the employment, unemployment, and hours category made a positive contribution to the index in May.

The index's three-month moving average, CFNAI-MA3, increased slightly to  $-0.16$  in May from  $-0.20$  in April. May's CFNAI-MA3 suggests that growth in national economic activity was somewhat 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, which is also a three-month moving average, was unchanged at  $-0.13$  in May. Thirty-five of the 85 individual indicators made positive contributions to the CFNAI in May, while 50 made negative contributions. Forty-three indicators improved from April to May, while 41 indicators deteriorated and one was unchanged. Of the indicators that improved, 21 made negative contributions.

**Chicago Fed National Activity Index, by Categories, and CFNAI-MA3**



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

	May '15	Apr '15	Mar '15	Feb '15	Jan '15	Dec '14	May '14
<b>CFNAI</b>							
Current	-0.17	-0.19	-0.13	-0.29	-0.30	+0.04	+0.17
Previous	N/A	-0.15	-0.36	-0.19	-0.26	+0.05	+0.17
<b>CFNAI-MA3</b>							
Current	-0.16	-0.20	-0.24	-0.18	+0.20	+0.38	+0.30
Previous	N/A	-0.23	-0.27	-0.14	+0.21	+0.37	+0.30
<b>CFNAI Diffusion</b>							
Current	-0.13	-0.13	-0.14	-0.06	+0.16	+0.26	+0.32
Previous	N/A	-0.12	-0.12	-0.04	+0.14	+0.24	+0.32

Current and Previous values reflect index values as of the June 22, 2015, release and May 21, 2015, release, respectively. N/A indicates not applicable.

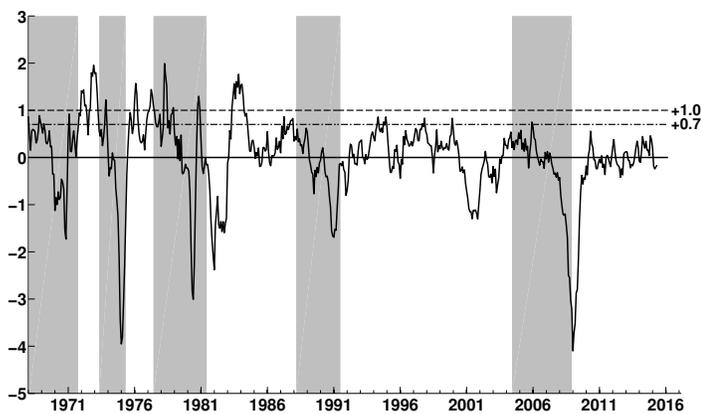
The contribution from production-related indicators to the CFNAI ticked up to  $-0.17$  in May from  $-0.19$  in April. Industrial production was down 0.2 percent in May after decreasing 0.5 percent in April. The sales, orders, and inventories category made a neutral contribution to the CFNAI in May, up slightly from  $-0.01$  in April.

The contribution from employment-related indicators to the CFNAI remained at  $+0.10$  in May. Nonfarm payrolls increased by 280,000 in May, following a gain of 221,000 in the previous month; however, the unemployment rate edged up to 5.5 percent in May from 5.4 percent in April.

The contribution of the personal consumption and housing category to the CFNAI was steady at  $-0.09$  in May. Housing starts decreased to 1,036,000 annualized units in May from 1,165,000 in April. However, housing permits increased to 1,275,000 annualized units in May from 1,140,000 in the previous month.

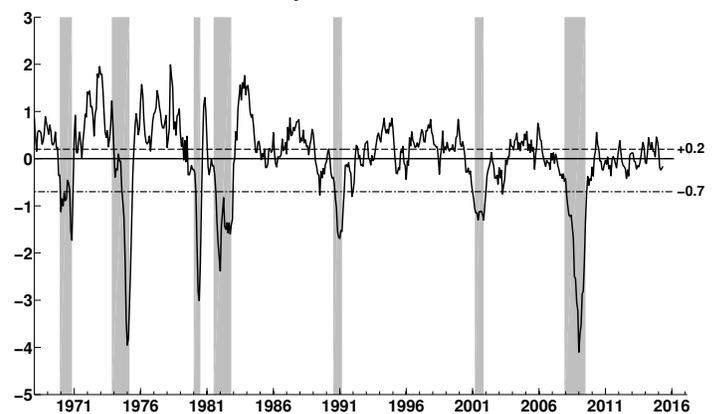
The CFNAI was constructed using data available as of June 18, 2015. At that time, May data for 51 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index. The April monthly index was revised to  $-0.19$  from an initial estimate of  $-0.15$ . Revisions 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 revision to the April monthly index was due primarily to the former.

### CFNAI-MA3 and Inflation Cycles



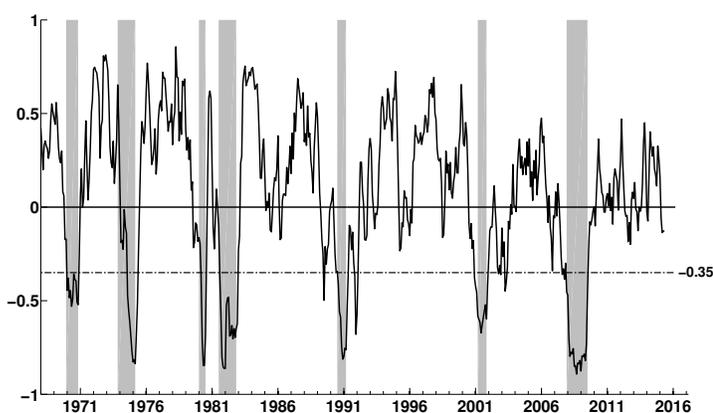
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above  $+0.70$  more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above  $+1.00$  more than two years into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

