

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
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What is the National Activity Index?

The index is a weighted average of 85 indicators of growth in 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.

Why are there three index values?

Each month, we provide a monthly index (the CFNAI), 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 instead 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?

A zero value for the monthly index has been associated with the national economy expanding at its historical trend (average) rate of growth; negative values with below-average growth (in standard deviation units); and positive values with above-average growth.

Periods of economic expansion have historically been associated with values of the CFNAI-MA3 above -0.70 and the CFNAI Diffusion Index above -0.35 . Conversely, periods of economic contraction have historically been associated with values of the CFNAI-MA3 below -0.70 and the CFNAI Diffusion Index below -0.35 .

An increasing likelihood of a period of sustained increasing inflation has historically been associated with values of the CFNAI-MA3 above $+0.70$ more than two years into an economic expansion. Similarly, a substantial likelihood of a period of sustained increasing inflation has historically been associated with values of the CFNAI-MA3 above $+1.00$ more than two years into an economic expansion.

The next CFNAI will be released:
July 21, 2020
8:30 am Eastern Time
7:30 am Central Time

FEDERAL RESERVE BANK
OF CHICAGO

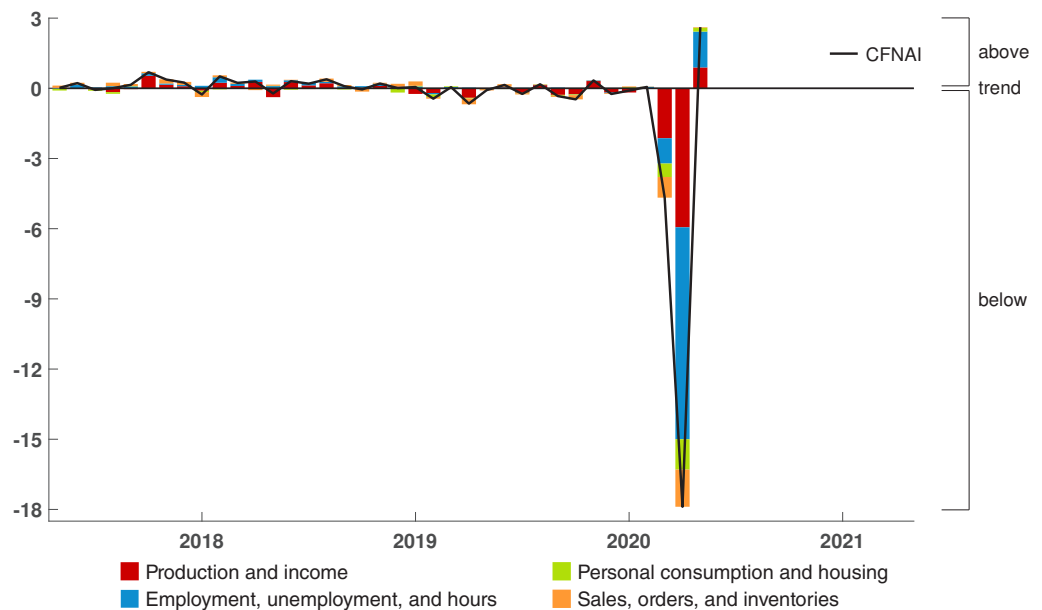
Chicago Fed National Activity Index

Index suggests economic growth increased substantially in May

Led by improvements in production- and employment-related indicators, the Chicago Fed National Activity Index (CFNAI) rose to $+2.61$ in May from -17.89 in April. All four broad categories of indicators used to construct the index made positive contributions in May, and all four categories increased from April. The index's three-month moving average, CFNAI-MA3, moved up to -6.65 in May from -7.50 in April.

On June 8, 2020, the National Bureau of Economic Research determined that the U.S. economy had reached a business cycle peak in February 2020. The CFNAI-MA3 first pointed to an increasing likelihood that a recession had begun in March 2020, as initially reported in the April 20, 2020, CFNAI release.

Chicago Fed National Activity Index, by Categories



CFNAI, CFNAI-MA3, and CFNAI Diffusion for the Latest Six Months and Year-Ago Month

	May '20	Apr '20	Mar '20	Feb '20	Jan '20	Dec '19	May '19
CFNAI							
Current	+2.61	-17.89	-4.67	+0.06	-0.10	-0.24	-0.08
Previous	N/A	-16.74	-4.97	+0.05	-0.14	-0.28	-0.09
CFNAI-MA3							
Current	-6.65	-7.50	-1.57	-0.09	0.00	-0.13	-0.23
Previous	N/A	-7.22	-1.69	-0.12	-0.02	-0.14	-0.24
CFNAI Diffusion							
Current	-0.43	-0.58	-0.34	-0.07	+0.05	-0.01	-0.13
Previous	N/A	-0.55	-0.32	-0.09	+0.02	-0.04	-0.13

Current and Previous values reflect index values as of the June 22, 2020, release and May 26, 2020, release, respectively. N/A indicates not applicable.

The CFNAI Diffusion Index, which is also a three-month moving average, moved up to -0.43 in May from -0.58 in April. Fifty-seven of the 85 individual indicators made positive contributions to the CFNAI in May, while 28 made negative contributions. Seventy-two indicators improved from April to May, while 13 indicators deteriorated. Of the indicators that improved, 17 made negative contributions.

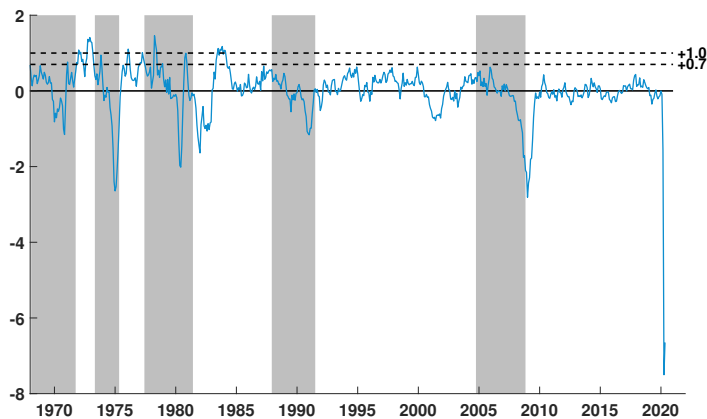
Production-related indicators contributed $+0.89$ to the CFNAI in May, up from -5.94 in April. Industrial production increased 1.4 percent in May after falling 12.5 percent in April. The contribution of the sales, orders, and inventories category to the CFNAI increased to $+0.02$ in May from -1.59 in April.

Employment-related indicators contributed $+1.53$ to the CFNAI in May, up from -9.06 in April. Nonfarm payrolls rose by 2,509,000 in May after falling by 20,687,000 in April, and the unemployment rate decreased to 13.3 percent in May from 14.7 percent in the previous month. The contribution of the personal consumption

and housing category to the CFNAI increased to $+0.17$ in May from -1.30 in April. Housing starts increased to 974,000 annualized units in May from 934,000 in the previous month.

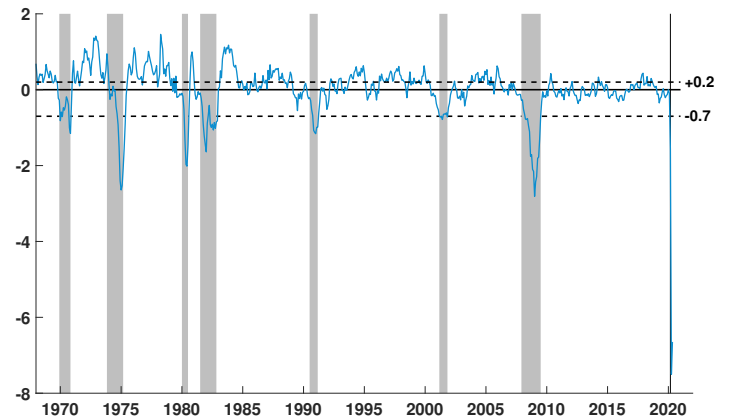
The CFNAI was constructed using data available as of June 18, 2020. At that time, May data for 51 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index. The April monthly index value was revised to -17.89 from an initial estimate of -16.74 , and the March monthly index value was revised to -4.67 from last month's estimate of -4.97 . 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 value was primarily due to the latter, while the revision to the March monthly index value was primarily due to the former.

CFNAI-MA3 and Inflation Cycles



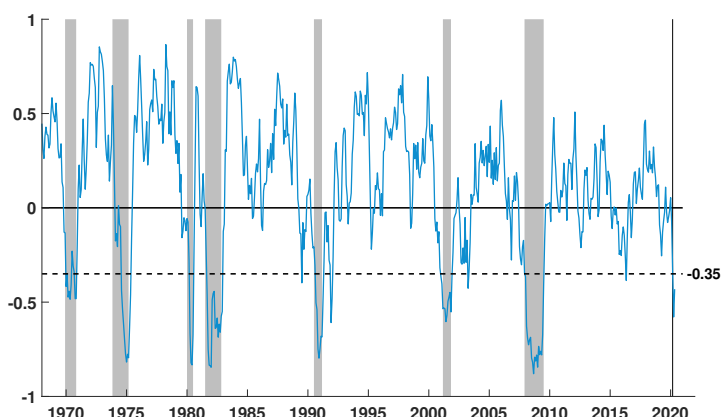
Notes: Shading represents periods of sustained increasing inflation. An increasing likelihood of a period of sustained increasing inflation has historically been associated with values of the CFNAI-MA3 above $+0.70$ more than two years into an economic expansion. Similarly, a substantial likelihood of a period of sustained increasing inflation has historically been associated with values of the CFNAI-MA3 above $+1.00$ more than two years into an economic expansion.

CFNAI-MA3 and Business Cycles



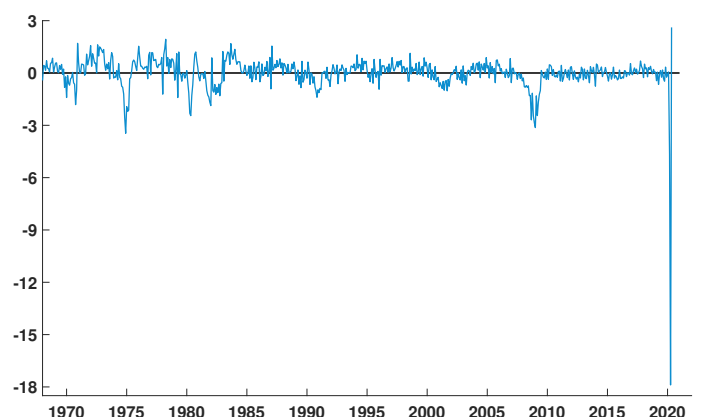
Notes: Shading indicates official periods of recession as identified by the National Bureau of Economic Research; the vertical line indicates the most recent business cycle peak. Following a period of economic expansion, an increasing likelihood of a recession has historically been associated with a CFNAI-MA3 value below -0.70 . Conversely, following a period of economic contraction, an increasing likelihood of an expansion has historically been associated with a CFNAI-MA3 value above -0.70 and a significant likelihood of an expansion has historically been associated with a CFNAI-MA3 value above $+0.20$.

CFNAI Diffusion Index



Notes: Shading indicates official periods of recession as identified by the National Bureau of Economic Research; the vertical line indicates the most recent business cycle peak. The CFNAI Diffusion Index represents the three-month moving average of 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 CFNAI Diffusion Index above -0.35 .

CFNAI, Monthly Index



CFNAI release dates, historical data, and background information are available at chicagofed.org/cfna.