



# Chicago Fed: "Index suggests slower, but still above-average growth in September"

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by Jill Mislinski  
of Advisor Perspectives

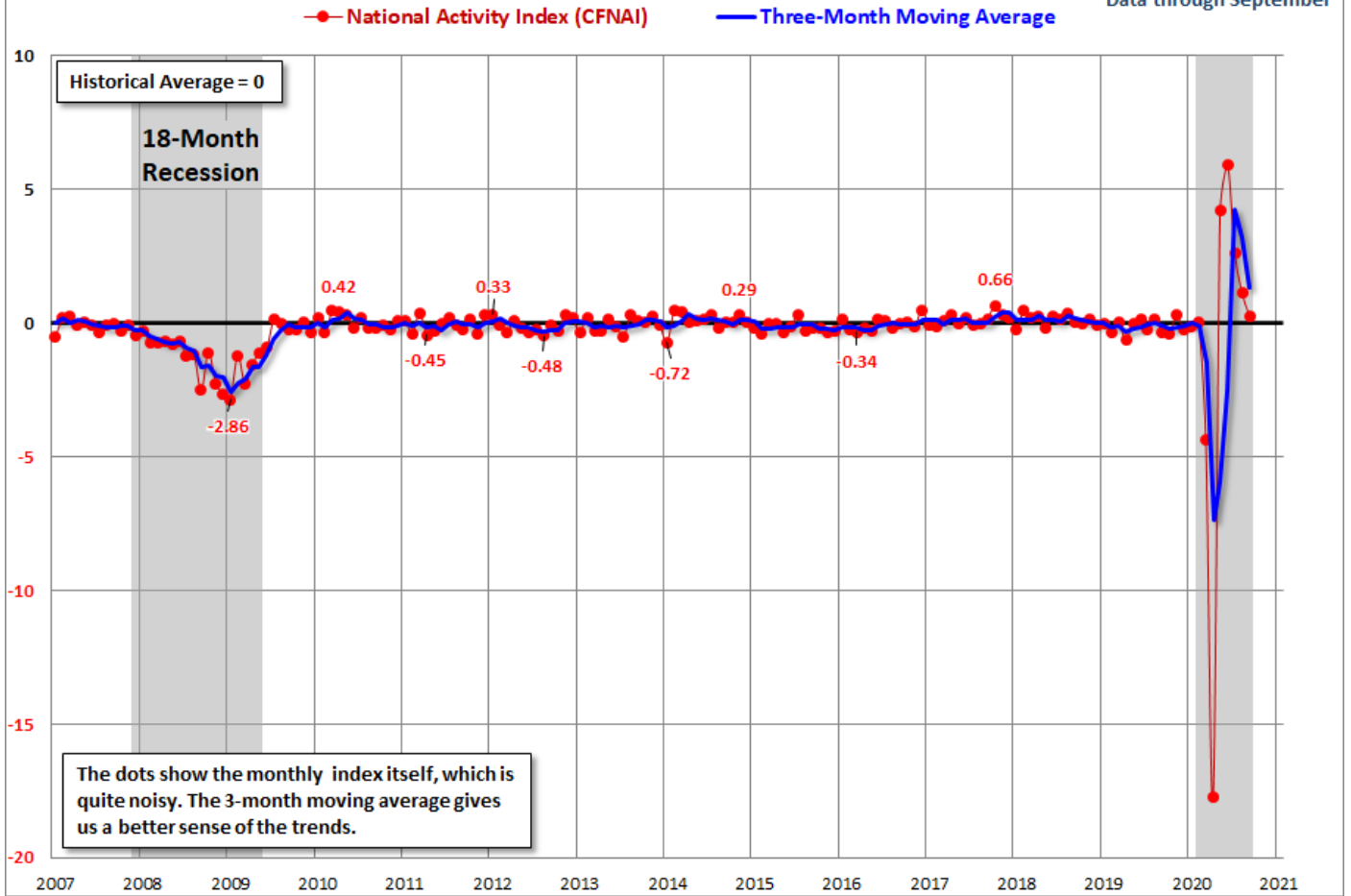
**"Index suggests slower, but still above-average growth in September."** This is the headline for this morning's release of the Chicago Fed's National Activity Index, and here is the opening paragraph from the report:

Led by some further moderation in the growth of production- and employment-related indicators, the Chicago Fed National Activity Index (CFNAI) declined to +0.27 in September from +1.11 in August. Three of the four broad categories of indicators used to construct the index made positive contributions in September, but three of the four categories decreased from August. The index's three-month moving average, CFNAI-MA3, moved down to +1.33 in September from +3.22 in August. [[Download report](#)]

## Background on the CFNAI

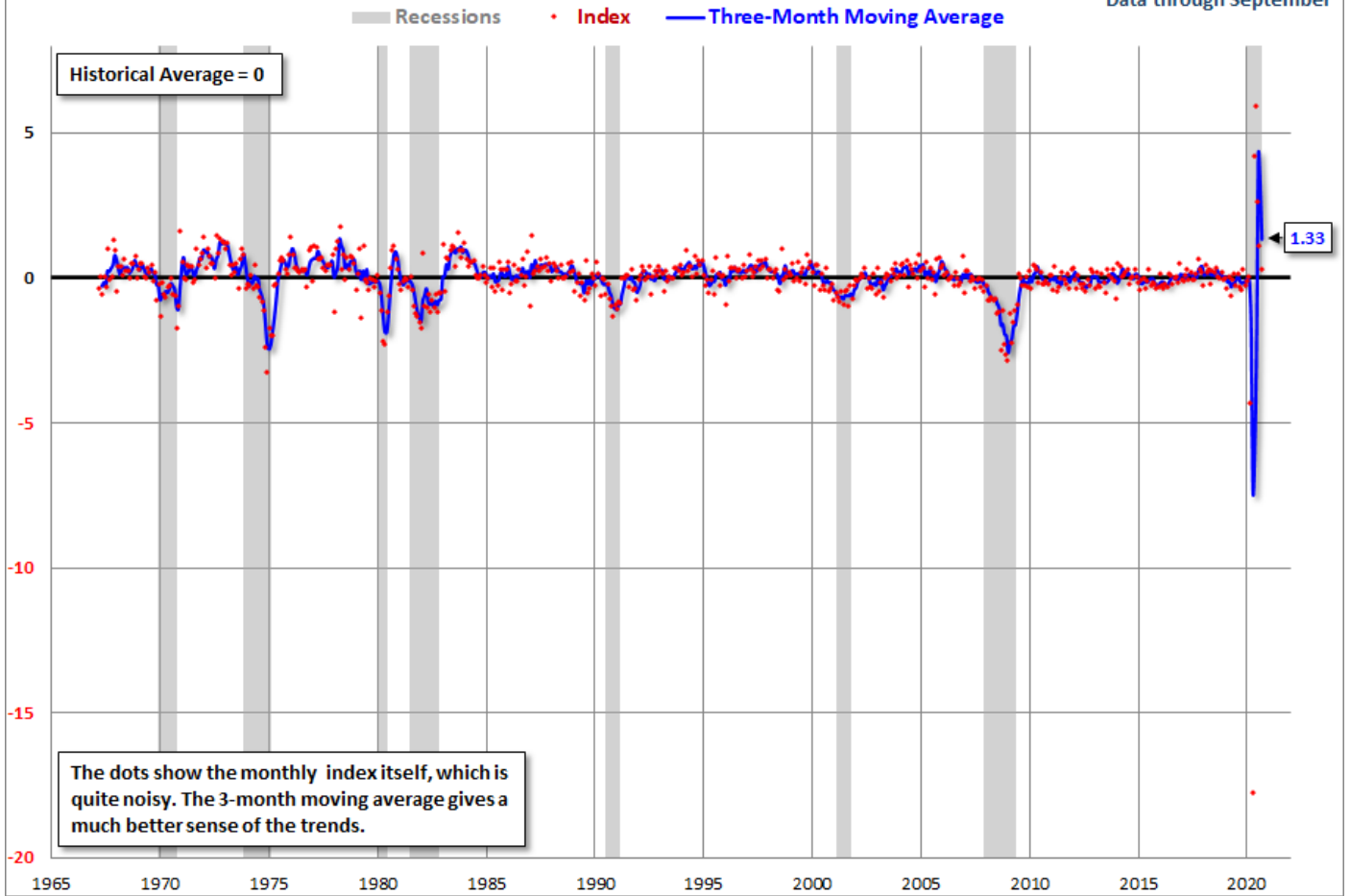
The Chicago Fed's National Activity Index (CFNAI) is a monthly indicator designed to gauge overall economic activity and related inflationary pressure. It is a composite of 85 monthly indicators as explained in this [background PDF file](#) on the Chicago Fed's website. The index is constructed so a 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.

The first chart below shows the recent behavior of the index since 2007. The red dots show the indicator itself, which is quite noisy, together with the 3-month moving average (CFNAI-MA3), which is more useful as an indicator of the actual trend for coincident economic activity.



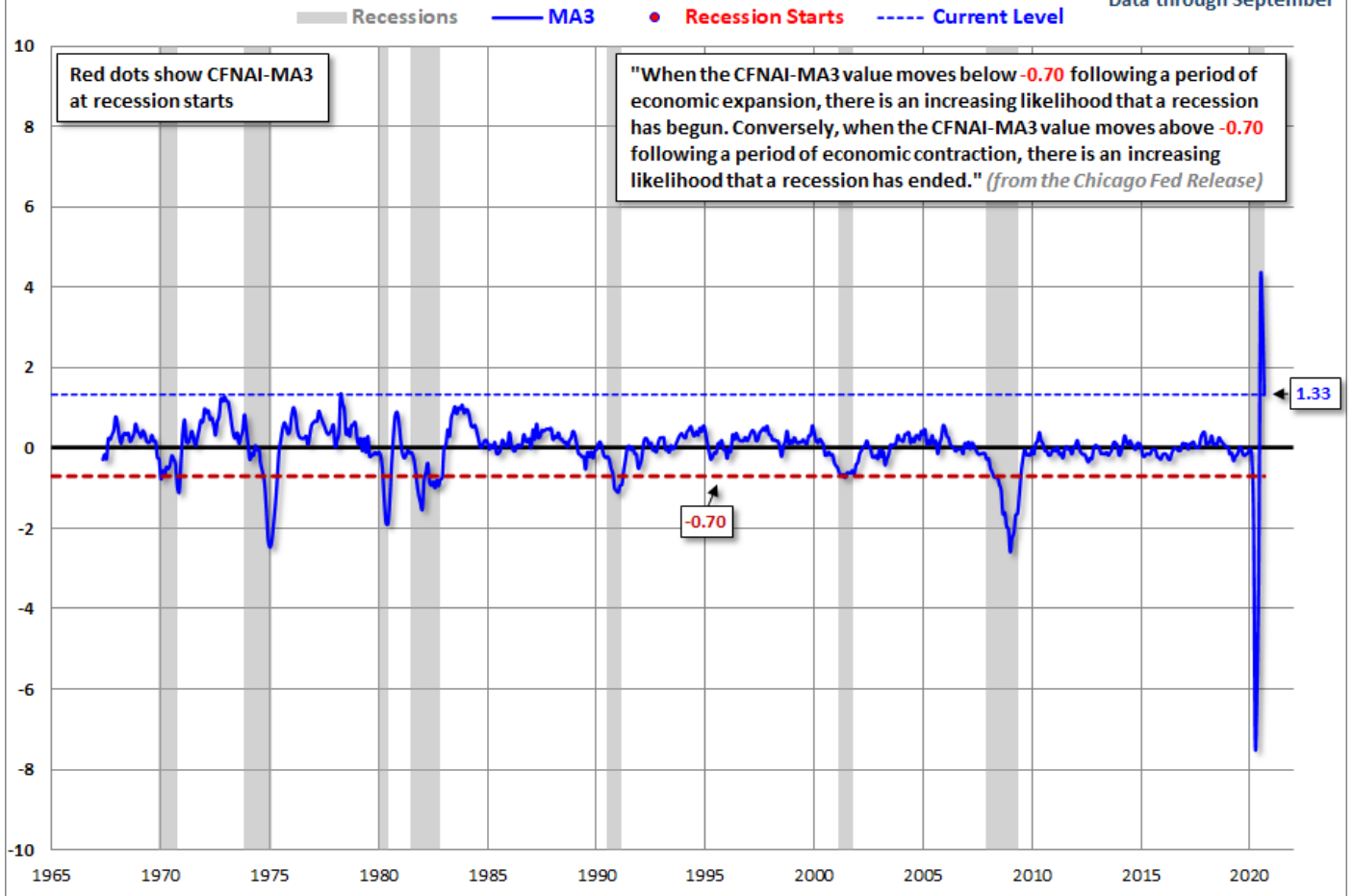
For a broad historical context, here is the complete CFNAI historical series dating from March 1967.

# Chicago Fed National Activity Index



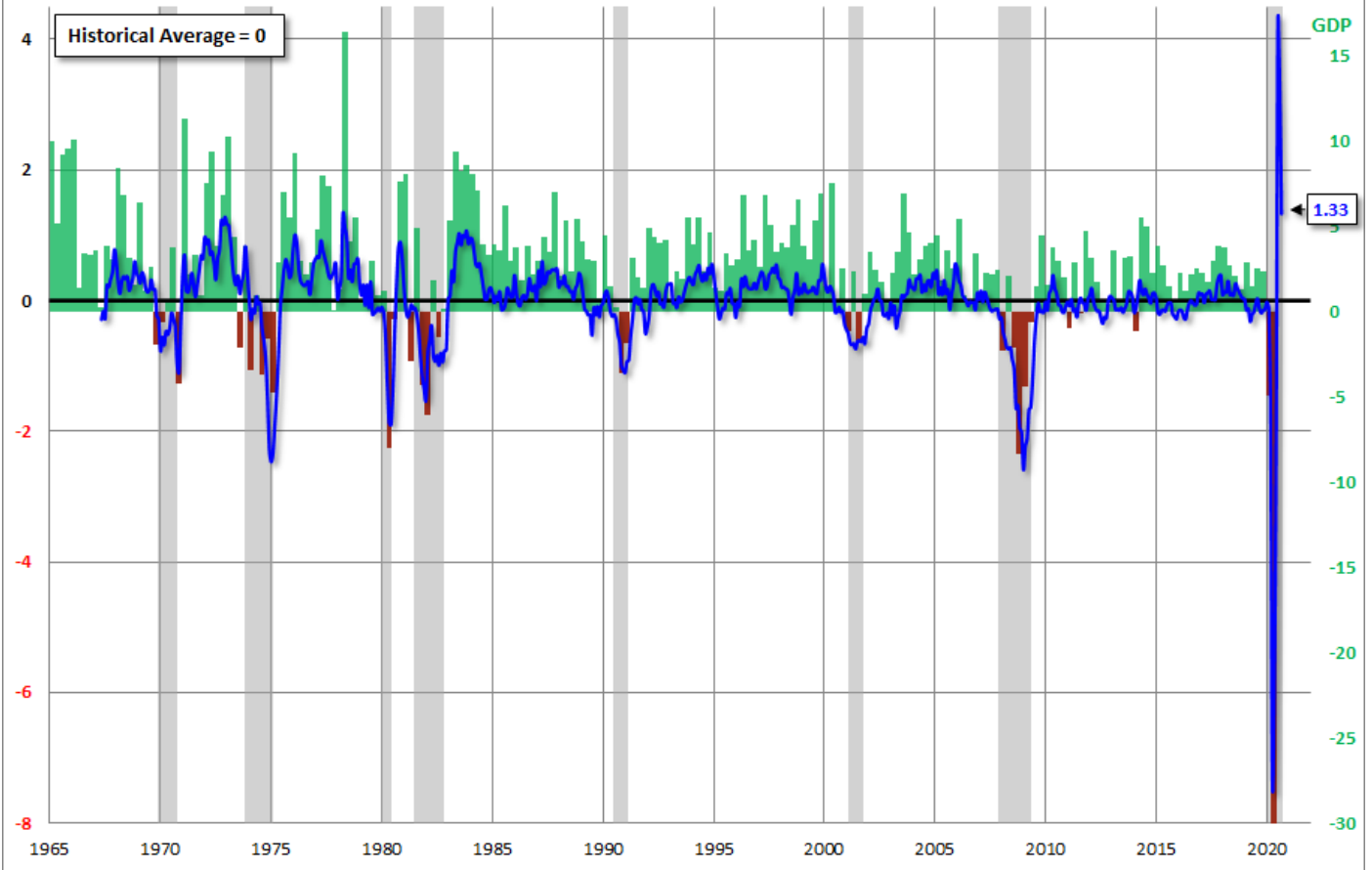
The next chart highlights the -0.7 level. The Chicago Fed explains:

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.



The next chart includes an overlay of GDP, which reinforces the accuracy of the CFNAI as an indicator of coincident economic activity.

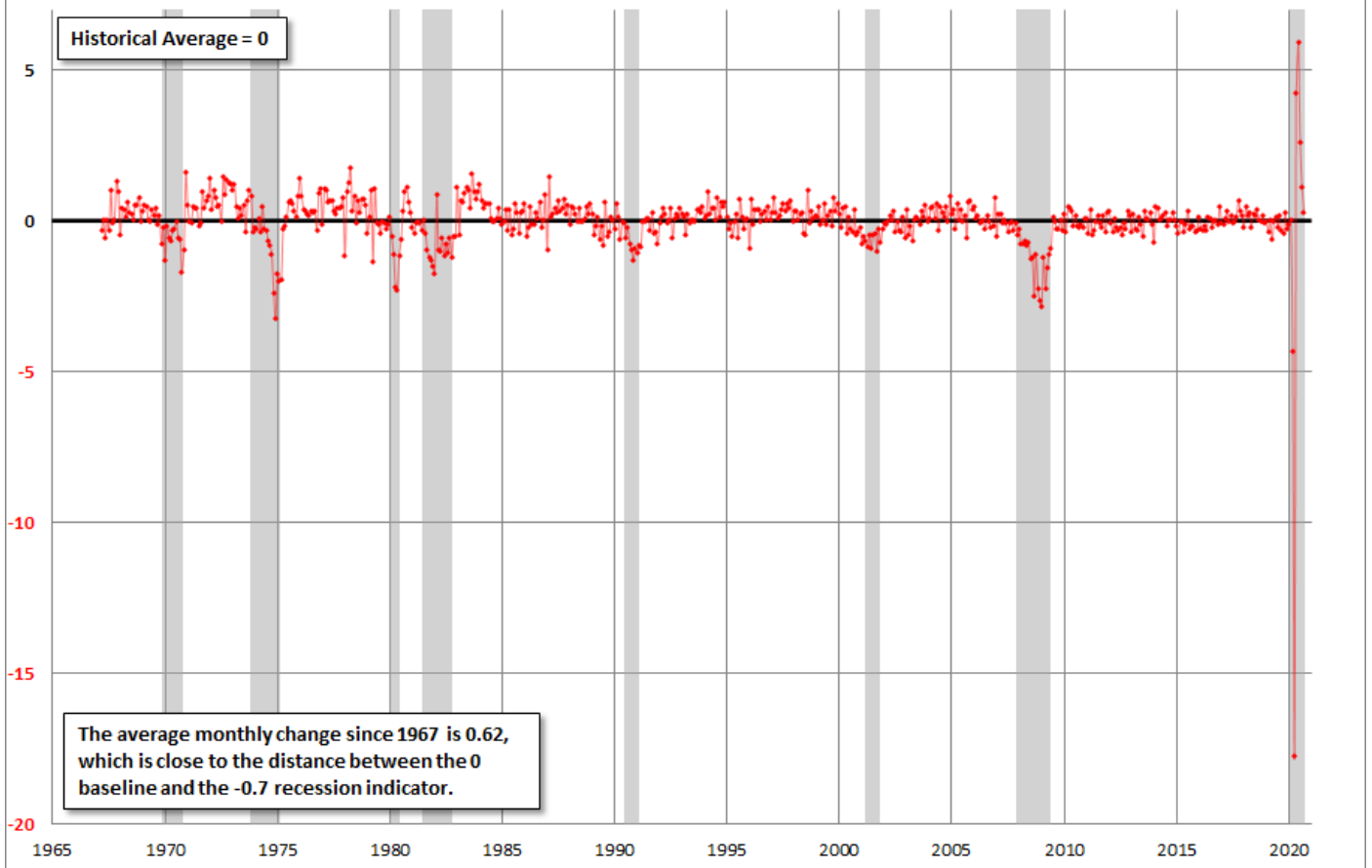
### Chicago Fed National Activity Index and GDP 3-Month Moving Average with Recessions Highlighted



Here's a chart of the CFNAI without the MA3 overlay — for the purpose of highlighting the high inter-month volatility.

# Chicago Fed National Activity Index

## Highlighting the Monthly Data Volatility



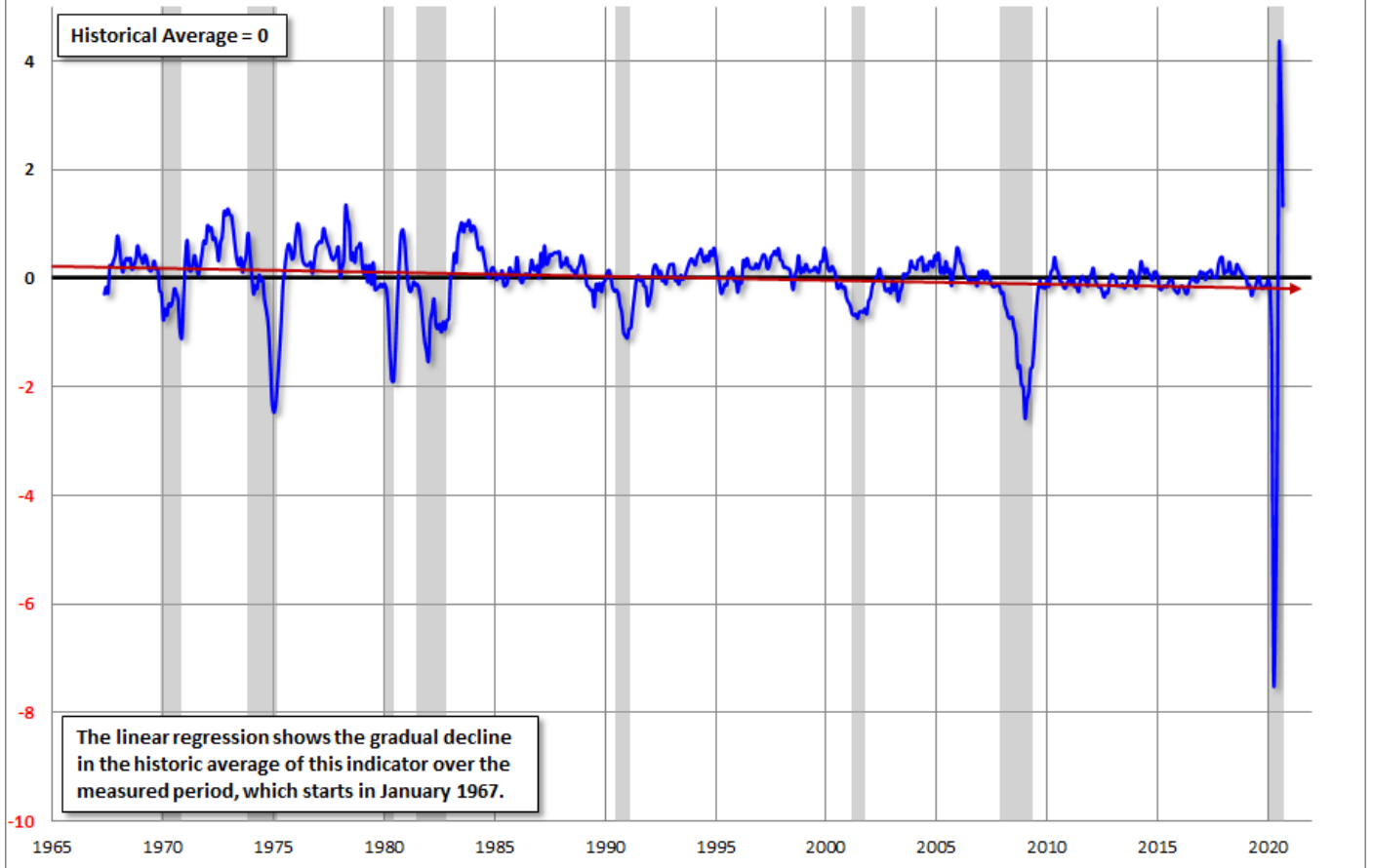
Further underscoring the volatility is the roller-coaster list of CFNAI monthly headlines from 2017 forward.

Monthly Volatility of the Chicago Fed National Activity Index			
Month	2018	2019	2020
Jan	Decreased	Slowed	Picked Up
Feb	Picked Up	Little Change	Picked Up
Mar	Slowed	Picked Up	Substantially Decreased
Apr	Increased Slightly	Slowed	Fell Substantially
May	Slowed	Picked Up	Increased Substantially
Jun	Picked Up	Picked Up	Growth Increased
Jul	Decreased	Slowed	Slower Growth
Aug	Steady	Picked Up	Slower Growth
Sep	Decreased	Slowed	Slower, Above Avg Growth
Oct	Neutral	Slowed	
Nov	Increased	Picked Up	
Dec	Increased Slightly	Slowed	

### The Long-Term Economic Trend

In the final chart, we've let Excel draw a linear regression through the CFNAI data series. The slope confirms the casual impression of the previous charts that National Activity, as a function of the 85 indicators in the index, has been declining since its inception in the late 1960s, a trend that roughly coincides with the transition from a good-producing to a post-industrial service economy in the information age.

### Chicago Fed National Activity Index Three-Month Moving Average with Recession Overlay



For a more detailed perspective on long-term economic trends, see our latest [Understanding the CFNAI Components](#), which we update within a day or so after the CFNAI is released.