

DAILY GLOBAL COMMENTARY

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Chicago National Activity Index – More Validation about Economic Recovery October 26, 2009

The Chicago Fed National Activity Index (CFNAI) slipped slightly in September to -0.81 from a revised -0.65 reading in August. However, the 3-month moving average improved to -0.63 in September from -0.96 in the prior month. According to the Chicago Fed, “when the 3-month moving average of the CFNAI moves below -0.70 following a period of expansion, there is an increasing likelihood that a recession has begun.” The September reading of -0.63 is confirmation that the weak economic conditions are behind us. This report confirms the message from the latest Index of Leading Economic Indicators. The third quarter GDP report to be published on October 29 will confirm that the recovery has commenced. The question now pertains to the nature of the recovery. Labor market conditions are the key to a self-sustaining economic recovery, which is most likely to emerge in mid-2010.

Chart 1

FRB Chicago National Activity Index: 3 Mo. Moving Average

