

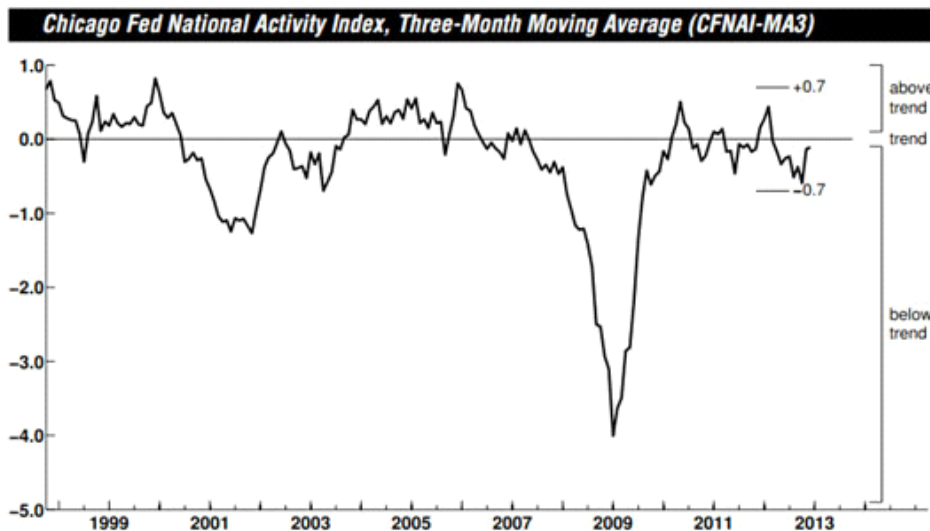
GROWERTALKS

GT in Brief

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Charlie Hall's Off The Charts: The Kitchen Sink Economy

Dr. Charlie Hall



The Federal Reserve Bank of Chicago combines 85 different indicators into one “kitchen-sink” number to give a sense of whether the overall U.S. economy is growing faster than its historical trend (numbers above zero) or slower (numbers below zero). Specifically, it’s 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.

If you average the last three months’ index values, you get the CFNAI-MA3 (3-month moving average). According to the Chicago Fed, when the CFNAI-MA3 value moves below -0.70 following a period of economic expansion, there’s 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’s an increasing likelihood that a recession has ended.

At the close of 2012 specifically, economic activity was growing, but at a slightly-below-average rate (-0.11). Though it’s not fantastic news, it does signal some growth rather than a shrinking economy. Keep in mind that this index reports significantly later than other ones, likely because it takes a while for all 85 of its required indicators to be updated. Still, I like the fact that it’s a comprehensive look at the economy and it’s a

fairly reliable prediction of upcoming recessions. **GT**

Dr. Charlie Hall is Ellison Chair in International Floriculture for Texas A&M University in College Station, Texas. He has also recently been appointed OFA's chief economist to "provide vision, leadership, analysis and technical competence." Dr. Hall can be reached at chall@tamu.edu.