

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
March 26, 2007

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What is the National Activity Index?

The index is a weighted average of 85 indicators of national economic activity. The indicators are 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 two index values?

Each month, we provide a monthly index number, which reflects economic activity in the latest month for which we have data, and a three-month moving average. Month-to-month movements can be volatile, so the index's three-month moving average, the CFNAI-MA3, provides a more consistent picture of national economic growth.

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.

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:
April 23, 2007
8:30 am Eastern Time
7:30 am Central Time

FEDERAL RESERVE BANK
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Chicago Fed *National Activity Index*

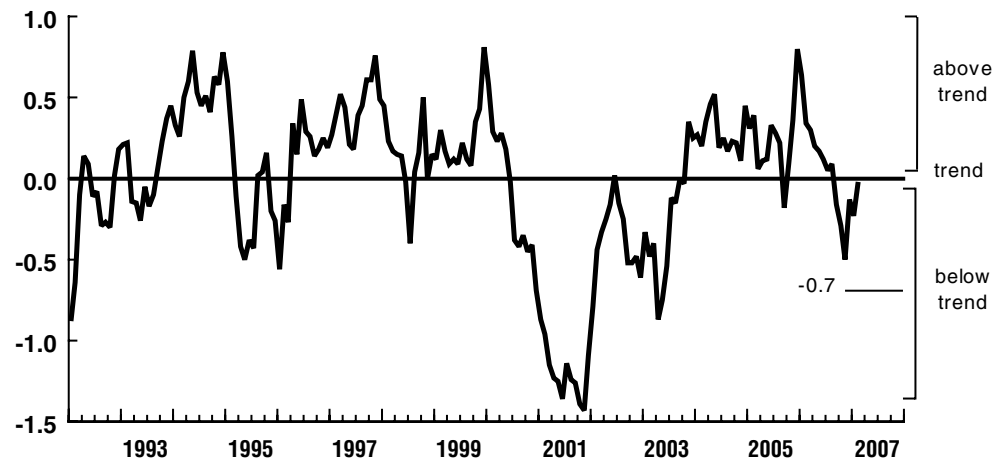
Index shows economic growth near average in February

The Chicago Fed National Activity Index was $+0.03$ in February, up from -0.72 in January. The production and income category made a strong positive contribution to the index, which was offset by the negative contributions in the other three broad categories of indicators—employment, consumption and housing, and sales.

The three-month moving average, CFNAI-MA3, increased from -0.23 in January to -0.02 in February, suggesting that growth in national economic activity was near its historical trend. With regard to inflation, February's three-month moving average also indicates balanced inflationary pressure over the coming year.

Production-related indicators made a contribution of $+0.26$ to the index in February, following a contribution of -0.39 in January. Total industrial production rose 1.0 percent in February after falling 0.3 percent in the previous month. Manufacturing capacity utilization increased from 79.9 percent in January to 80.1 percent in February.

Chicago Fed National Activity Index, Three-Month Moving Average (CFNAI-MA3)



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

	Feb '07	Jan '07	Dec '06	Nov '06	Oct '06	Sep '06	Feb '06
CFNAI							
Current	+0.03	-0.72	+0.64	-0.62	-0.41	-0.46	-0.01
Previous	N/A	-0.74	+0.36	-0.50	-0.42	-0.45	-0.01
CFNAI-MA3							
Current	-0.02	-0.23	-0.13	-0.50	-0.29	-0.16	+0.34
Previous	N/A	-0.29	-0.19	-0.46	-0.29	-0.16	+0.34

Current and Previous values reflect index values as of the March 26, 2007, release and February 20, 2007, release, respectively. N/A indicates not applicable.

Employment-related indicators made a contribution of -0.14 to the index in February after contributing -0.17 in the previous month. The February unemployment rate edged down to 4.5 percent from 4.6 percent in January. Nonfarm payroll employment increased 97,000 in February, after adding 146,000 jobs in January.

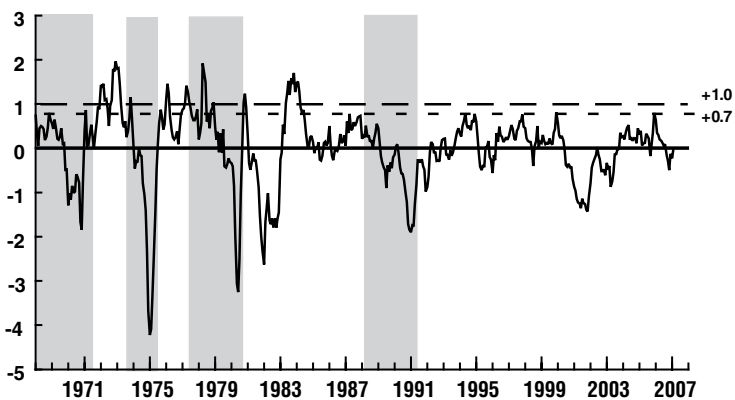
Consumption and housing indicators made a contribution of -0.07 to the index in February, after making a contribution of -0.08 in January. The sales, orders, and inventories category also made a small negative contribution of -0.02 to the index in February after contributing -0.09 in January.

Thirty-eight of the 85 individual indicators made positive contributions to the index in February, while 47 made negative contributions. Fifty-one indicators improved from January to February, while 34 indicators deteriorated. Of the improved indicators, 16 made negative contributions. The index was constructed using data

available as of March 22, 2007. At that time, February data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

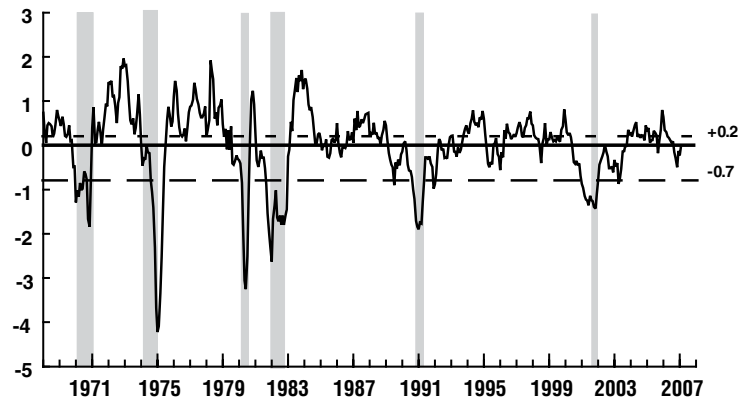
The January monthly index was revised up slightly to -0.72 from the initial estimate of -0.74 . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The upward revision to the January monthly index was primarily due to revisions in previously published data.

CFNAI-MA3 and Inflation Cycles



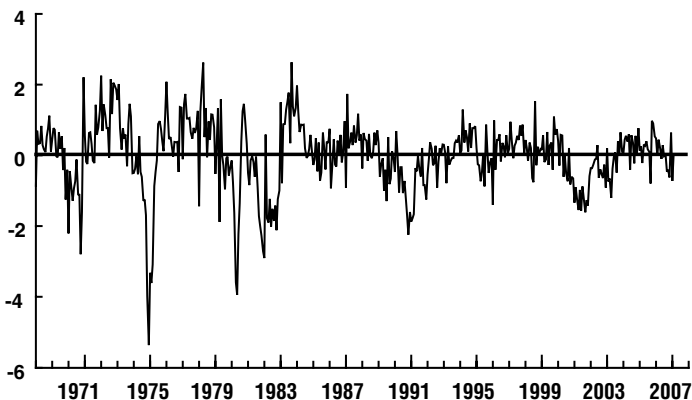
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above $+0.70$ more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above $+1.00$ more than two years into an 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 $+0.20$ following a period of economic contraction indicates a significant likelihood that a recession has ended.

CFNAI, Monthly Index



2007 CFNAI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
<i>April 23, 2007</i>	<i>March 2007</i>
<i>May 21, 2007</i>	<i>April 2007</i>
<i>June 25, 2007</i>	<i>May 2007</i>
<i>July 23, 2007</i>	<i>June 2007</i>
<i>August 20, 2007</i>	<i>July 2007</i>
<i>September 24, 2007</i>	<i>August 2007</i>
<i>October 22, 2007</i>	<i>September 2007</i>
<i>November 26, 2007</i>	<i>October 2007</i>
<i>December 20, 2007</i>	<i>November 2007</i>