

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
October 22, 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:
November 26, 2007
8:30 am Eastern Time
7:30 am Central Time

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Chicago Fed *National Activity Index*

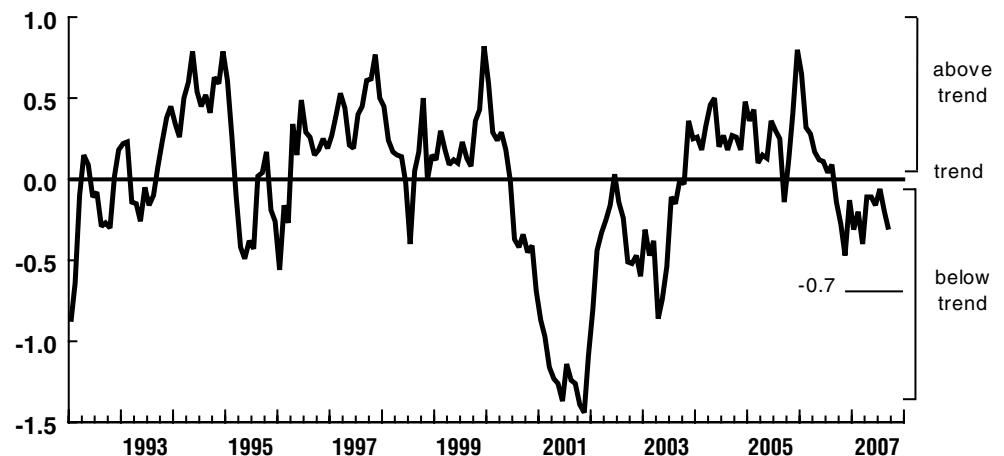
Index shows economic growth below average in September

The Chicago Fed National Activity Index was -0.45 in September, up from -0.68 in August. All four broad categories of indicators made negative contributions to the index in September. However, contributions from three categories—production, employment, and sales, orders, and inventories—improved in September from August.

The three-month moving average, CFNAI-MA3, decreased from -0.20 in August to -0.31 in September. This negative value suggests that growth in national economic activity was below its historical trend. With regard to inflation, September's three-month moving average indicates little inflationary pressure over the coming year.

Production-related indicators made a contribution of -0.12 to the index in September, following a contribution of -0.19 in August. Total industrial production increased by 0.1 percent in September after remaining unchanged in the previous month. Manufacturing capacity utilization edged down to 80.4 percent in September from 80.5 percent in August.

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



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

	Sep '07	Aug '07	Jul '07	Jun '07	May '07	Apr '07	Sep '06
CFNAI							
Current	-0.45	-0.68	+0.21	-0.11	-0.27	-0.10	-0.38
Previous	N/A	-0.57	+0.03	-0.08	-0.27	-0.10	-0.42
CFNAI-MA3							
Current	-0.31	-0.20	-0.06	-0.16	-0.11	-0.11	-0.14
Previous	N/A	-0.21	-0.11	-0.15	-0.12	-0.11	-0.14

Current and Previous values reflect index values as of the October 22, 2007, release and September 24, 2007, release, respectively. N/A indicates not applicable.

Employment-related indicators made a contribution of -0.14 to the index in September, following a contribution of -0.33 in August. Nonfarm payroll employment increased by 110,000 in September, up from a gain of 89,000 in August. September's increase was the largest since May of this year. The unemployment rate edged up to 4.7 percent in September from 4.6 percent in August. The sales, orders, and inventories category made a contribution of -0.03 in September after contributing -0.07 in August.

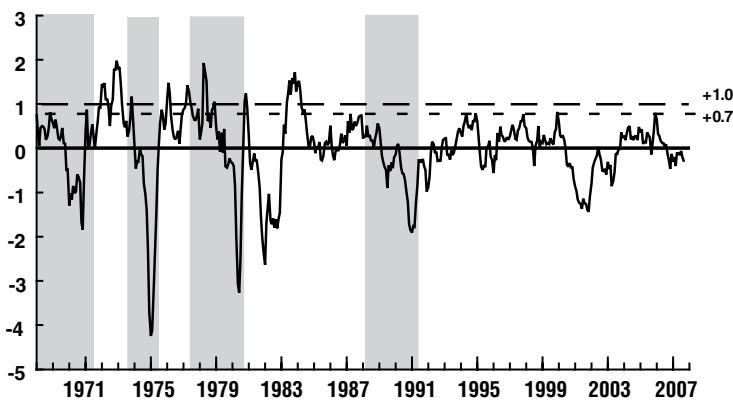
Consumption and housing indicators contributed -0.17 to the index in September, following a contribution of -0.10 in August. Housing permits decreased by 7.3 percent in September, and housing starts fell 10.2 percent.

Twenty of the 85 individual indicators made positive contributions to the index in September, while 65 made negative contributions.

Forty-seven indicators improved from August to September, while 38 indicators deteriorated. Of the improved indicators, 31 made negative contributions. The index was constructed using data available as of October 18, 2007. At that time, September data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

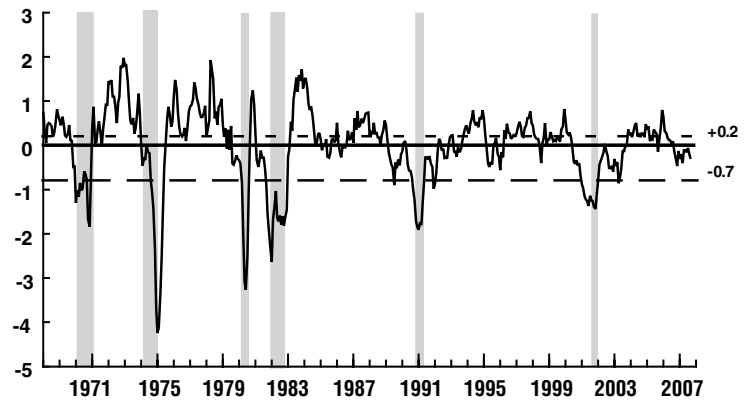
The August monthly index was revised down to -0.68 from the initial estimate of -0.57 . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The downward revision to the August monthly index was primarily due to revisions in previously published data.

CFNAI-MA3 and Inflation Cycles



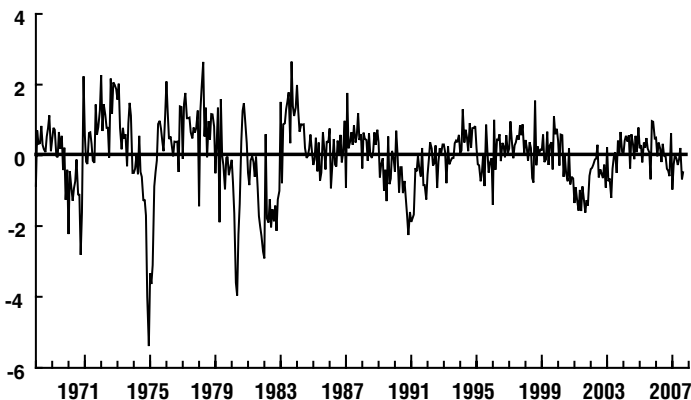
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above $+0.70$ more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above $+1.00$ more than two years into an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

Date of Release	Monthly Data for
November 26, 2007	October 2007
December 20, 2007	November 2007