

News Release

Embargoed for release:

8:30 am Eastern Time

7:30 am Central Time

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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:

October 22, 2007

8:30 am Eastern Time

7:30 am Central Time

FEDERAL RESERVE BANK
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Chicago Fed *National Activity Index*

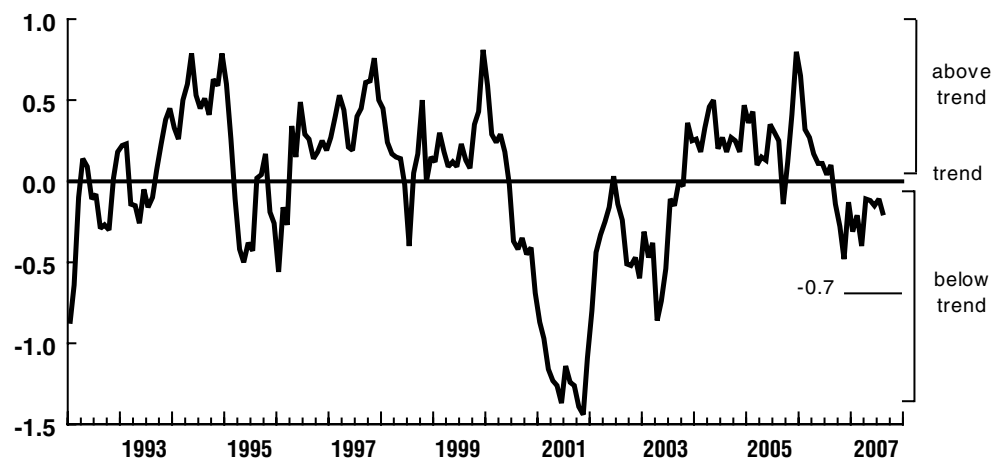
Index shows economic growth below average in August

The Chicago Fed National Activity Index was -0.57 in August, down from $+0.03$ in July. The production and employment indicators showed the most significant change from the previous month, though all four categories of data made negative contributions to the index in August.

The three-month moving average, CFNAI-MA3, decreased from -0.11 in July to -0.21 in August. This negative value suggests that growth in national economic activity was below its historical trend. With regard to inflation, August's three-month moving average indicates little inflationary pressure over the coming year.

Production-related indicators made a contribution of -0.10 to the index in August, following a contribution of $+0.20$ in July. Total industrial production increased by 0.2 percent in August; however, manufacturing output fell 0.3 percent. Manufacturing capacity utilization moved down to 80.7 percent in August from 81.0 percent in July.

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



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

| | Aug '07 | Jul '07 | Jun '07 | May '07 | Apr '07 | Mar '07 | Aug '06 |
|------------------|---------|---------|---------|---------|---------|---------|---------|
| CFNAI | | | | | | | |
| Current | -0.57 | +0.03 | -0.08 | -0.27 | -0.10 | +0.03 | 0.00 |
| Previous | N/A | -0.10 | +0.06 | -0.34 | -0.10 | +0.02 | -0.04 |
| CFNAI-MA3 | | | | | | | |
| Current | -0.21 | -0.11 | -0.15 | -0.12 | -0.11 | -0.40 | +0.10 |
| Previous | N/A | -0.12 | -0.12 | -0.14 | -0.12 | -0.40 | +0.10 |

Current and Previous values reflect index values as of the September 24, 2007, release and August 20, 2007, release, respectively. N/A indicates not applicable.

Employment-related indicators made a contribution of -0.31 to the index in August, following a contribution of -0.17 in July. Nonfarm payroll employment decreased by 4,000 in August, in contrast to the gain of 68,000 in July. The August unemployment rate remained at its previous month's value of 4.6 percent.

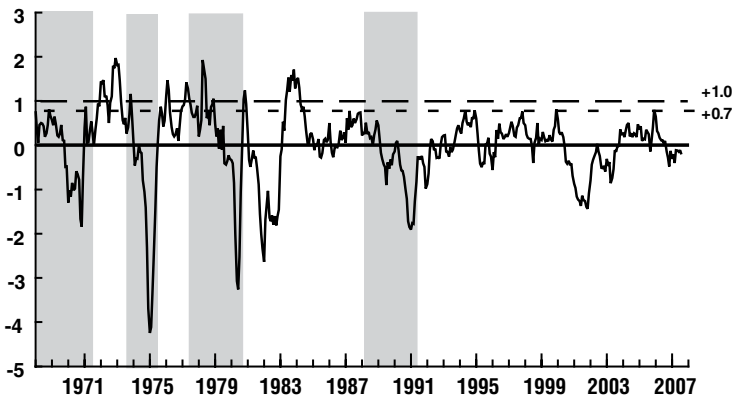
Consumption and housing indicators contributed -0.12 to the index in August, following a contribution of -0.08 in July. Housing permits decreased by 5.9 percent in August, and housing starts fell 2.6 percent. The sales, orders, and inventories category made a contribution of -0.04 in August after contributing $+0.08$ in July.

Twenty-three of the 85 individual indicators made positive contributions to the index in August, while 62 made negative contributions. Twenty-nine indicators improved from July to August, while 56 indicators deteriorated. Of the improved indicators, 11 made

negative contributions. The index was constructed using data available as of September 20, 2007. At that time, August data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

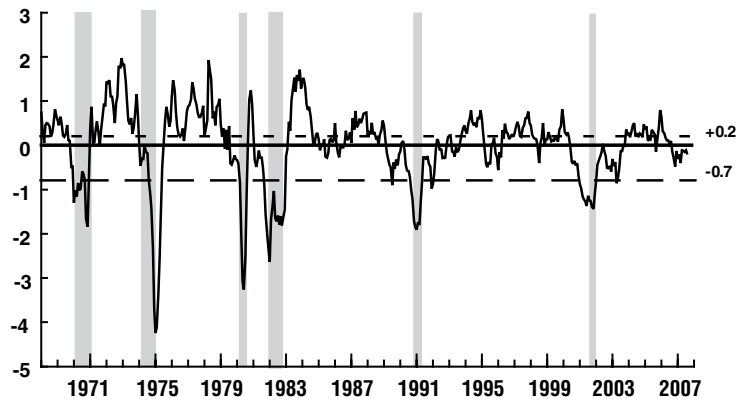
The July monthly index was revised up to $+0.03$ from the initial estimate of -0.10 . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The upward revision to the July monthly index was primarily due to revisions in previously published data.

CFNAI-MA3 and Inflation Cycles



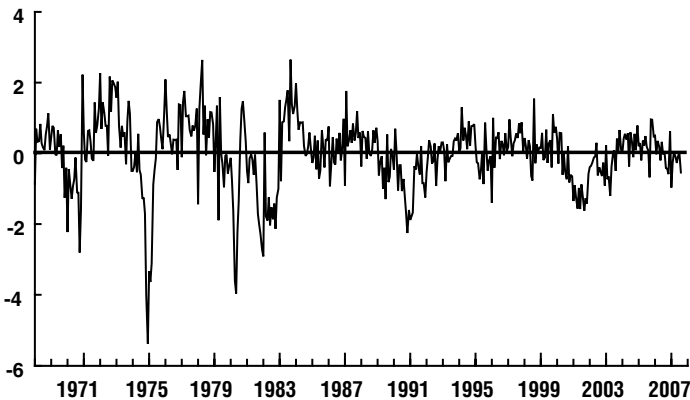
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above $+0.70$ more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above $+1.00$ more than two years into an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