

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
August 25, 2008

Contact:
Laura LaBarbera
Media Relations
Federal Reserve Bank of Chicago
312-322-2387

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:
September 22, 2008
8:30 am Eastern Time
7:30 am Central Time

FEDERAL RESERVE BANK
OF CHICAGO

Chicago Fed *National Activity Index*

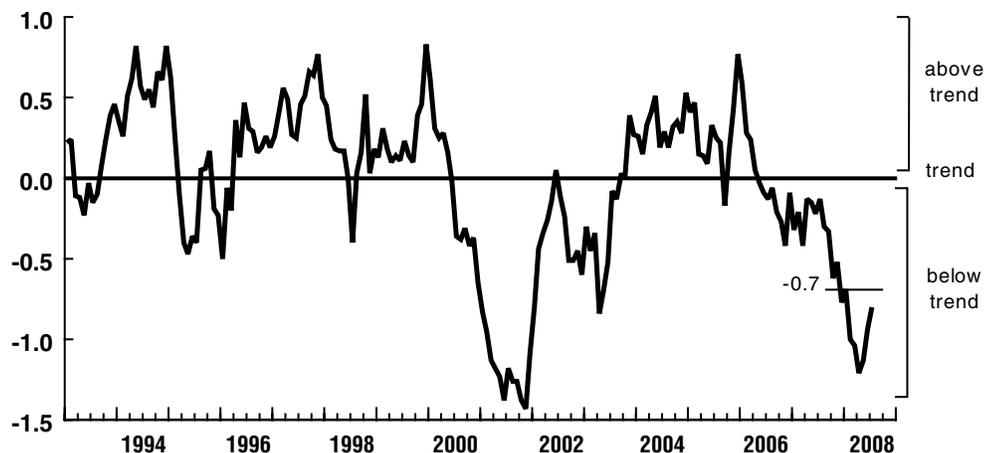
Index shows economic activity slightly weaker in July

The Chicago Fed National Activity Index was -0.67 in July, down from -0.59 in June. Three of the four broad categories of indicators—employment; consumption and housing; and sales, orders, and inventories—made negative contributions to the index in July.

The three-month moving average, CFNAI-MA3, increased to -0.80 in July from -0.94 in the previous month. This negative value suggests that growth in national economic activity was below its historical trend. In addition, July marked the eighth consecutive month that the CFNAI-MA3 was near or below the -0.70 threshold, which following a period of economic expansion indicates an increasing likelihood that a recession has begun. With regard to inflation, July's three-month moving average indicates low inflationary pressure from economic activity over the coming year.

The decline in the index was primarily driven by employment-related indicators. These indicators made a contribution of -0.40 in July, following a contribution of -0.32 in June.

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



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

	Jul '08	Jun '08	May '08	Apr '08	Mar '08	Feb '08	Jul '07
CFNAI							
Current	-0.67	-0.59	-1.16	-1.09	-1.15	-1.40	+0.09
Previous	N/A	-0.60	-1.06	-1.13	-1.04	-1.44	+0.13
CFNAI-MA3							
Current	-0.80	-0.94	-1.13	-1.21	-1.04	-1.00	-0.13
Previous	N/A	-0.93	-1.08	-1.21	-1.01	-0.99	-0.12

Current and Previous values reflect index values as of the August 25, 2008, release and July 21, 2008, release, respectively. N/A indicates not applicable.

Total nonfarm payroll employment declined by 51,000 in July for the second consecutive month, and the unemployment rate edged up to 5.7 percent from 5.5 percent in June.

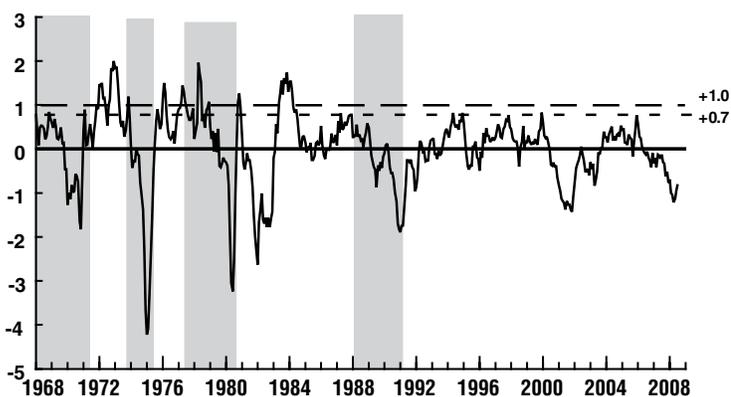
The consumption and housing category made a contribution of -0.24 to the index in July, following a contribution of -0.26 in June. Housing starts decreased 11.0 percent in July, following a 10.4 percent increase in June; and building permits were 17.7 percent lower in July after increasing 16.4 percent in the previous month. Overall, however, small improvements in a number of consumption indicators led to a slightly higher contribution from this category in July. The sales, orders, and inventories category also made a negative contribution of -0.05 in July.

Production-related indicators made a contribution of $+0.02$ to the index in July, following a contribution of -0.03 in June. Manufacturing industrial production increased 0.4 percent in July after ticking up 0.1 percent in the previous month; and manufacturing capacity utilization edged up to 77.7 percent in July from 77.5 percent in June.

Thirty-four of the 85 individual indicators made positive contributions to the index in July, while 51 made negative contributions. Forty-one indicators improved from June to July, while 42 indicators deteriorated. Of the improved indicators, 20 made negative contributions. The index was constructed using data available as of August 21, 2008. At that time, July data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

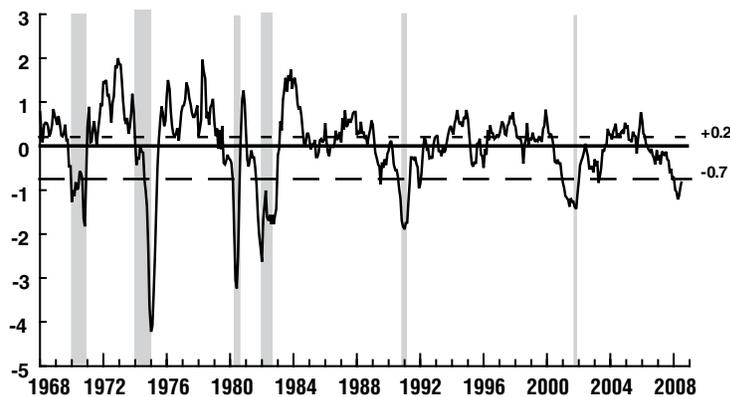
The June monthly index was revised up to -0.59 from an initial estimate of -0.60 . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The slight upward revision to the June monthly index was primarily due to differences between the estimates of previously unavailable data and subsequently published data.

CFNAI-MA3 and Inflation Cycles



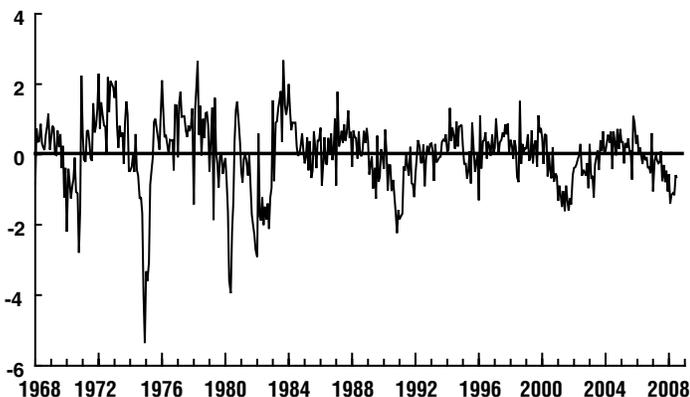
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above $+0.70$ more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above $+1.00$ more than two years into an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



2008 CFNAI Release Dates

Date of Release	Monthly Data for
September 22, 2008	August 2008
October 21, 2008	September 2008
November 24, 2008	October 2008
December 22, 2008	November 2008