

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
February 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:
March 24, 2008
8:30 am Eastern Time
7:30 am Central Time

FEDERAL RESERVE BANK
OF CHICAGO

Chicago Fed *National Activity Index*

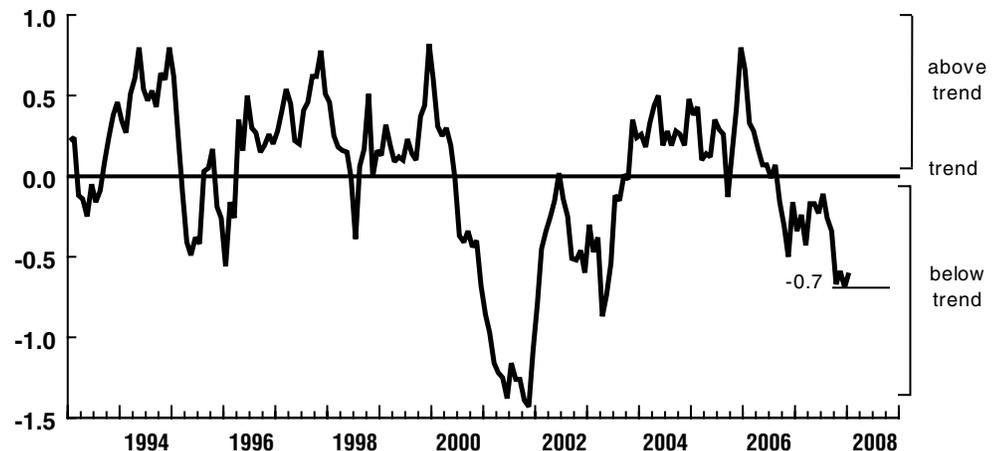
Index shows economic growth below average in January

The Chicago Fed National Activity Index was -0.58 in January, up from -0.69 in December. All four broad categories of indicators made negative contributions to the index in January.

The three-month moving average, CFNAI-MA3, increased to -0.60 in January from -0.69 in December. This negative value suggests that growth in national economic activity was below its historical trend. With regard to inflation, January's three-month moving average indicates low inflationary pressure from economic activity over the coming year.

Employment-related indicators made a contribution of -0.25 to the index in January, following a contribution of -0.31 in December. The unemployment rate ticked down to 4.9 percent in January from 5.0 percent in December. Total nonfarm payroll employment decreased by 17,000 in January after a gain of 82,000 in the previous month. However, the employment category made a smaller negative contribution to the index in January than in December primarily because of improvements in employment from the household survey.

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



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

	Jan '08	Dec '07	Nov '07	Oct '07	Sep '07	Aug '07	Jan '07
CFNAI							
Current	-0.58	-0.69	-0.54	-0.85	-0.38	-0.79	-1.00
Previous	N/A	-0.91	-0.29	-0.81	-0.39	-0.78	-0.99
CFNAI-MA3							
Current	-0.60	-0.69	-0.59	-0.67	-0.34	-0.26	-0.34
Previous	N/A	-0.67	-0.50	-0.66	-0.33	-0.24	-0.31

Current and Previous values reflect index values as of the February 25, 2008, release and January 22, 2008, release, respectively. N/A indicates not applicable.

The consumption and housing category of indicators also made a large negative contribution of -0.23 to the index in January, following a contribution of -0.28 in December. Housing starts edged up 0.8 percent in January following a 14.8 percent decline in the previous month, and building permits decreased by 3.0 percent in January after declining 7.1 percent in December.

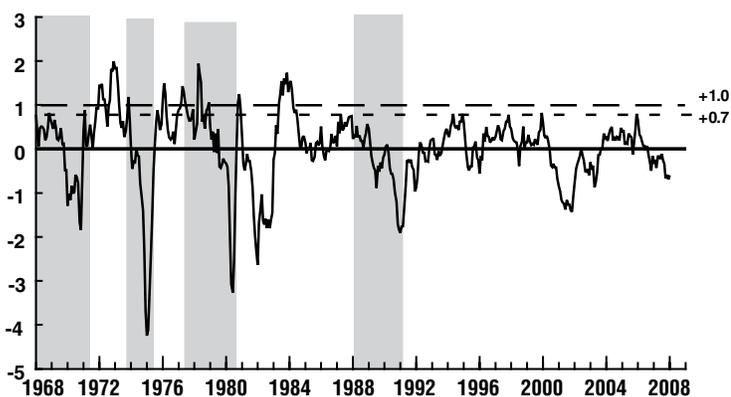
Production-related indicators made a contribution of -0.08 to the index in January compared with a contribution of -0.09 in December. Total industrial production increased 0.1 percent in January for the second consecutive month, while manufacturing production was unchanged in January after increasing 0.2 percent in December. The sales, orders, and inventories category also made a small negative contribution of -0.01 in January.

Twenty-nine of the 85 individual indicators made positive contributions to the index in January, while 56 made negative contributions.

Forty-six indicators improved from December to January, while 39 indicators deteriorated. Of the improved indicators, 22 made negative contributions. The index was constructed using data available as of February 21, 2008. At that time, January data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

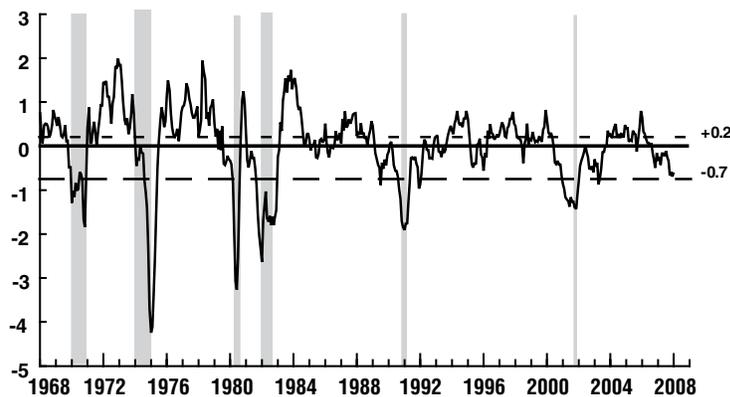
The December monthly index was revised up to -0.69 from an initial estimate of -0.91 . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The upward revision to the December monthly index was primarily due to revisions in previously published data.

CFNAI-MA3 and Inflation Cycles



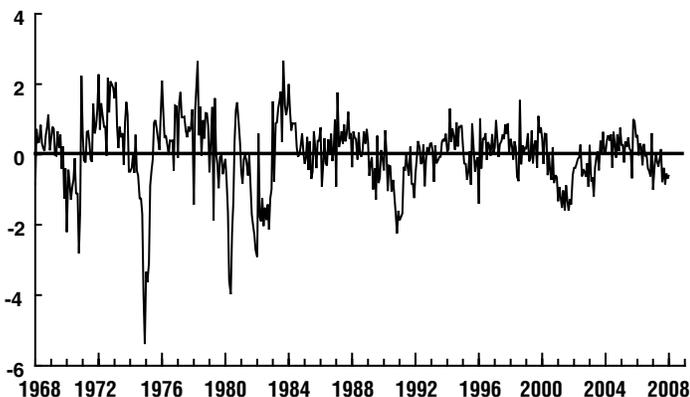
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above $+0.70$ more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above $+1.00$ more than two years into an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



2008 CFNAI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
<i>March 24, 2008</i>	<i>February 2008</i>
<i>April 21, 2008</i>	<i>March 2008</i>
<i>May 20, 2008</i>	<i>April 2008</i>
<i>June 23, 2008</i>	<i>May 2008</i>
<i>July 21, 2008</i>	<i>June 2008</i>
<i>August 25, 2008</i>	<i>July 2008</i>
<i>September 22, 2008</i>	<i>August 2008</i>
<i>October 21, 2008</i>	<i>September 2008</i>
<i>November 24, 2008</i>	<i>October 2008</i>
<i>December 22, 2008</i>	<i>November 2008</i>