

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
January 22, 2008

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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:
February 25, 2008
8:30 am Eastern Time
7:30 am Central Time

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Chicago Fed *National Activity Index*

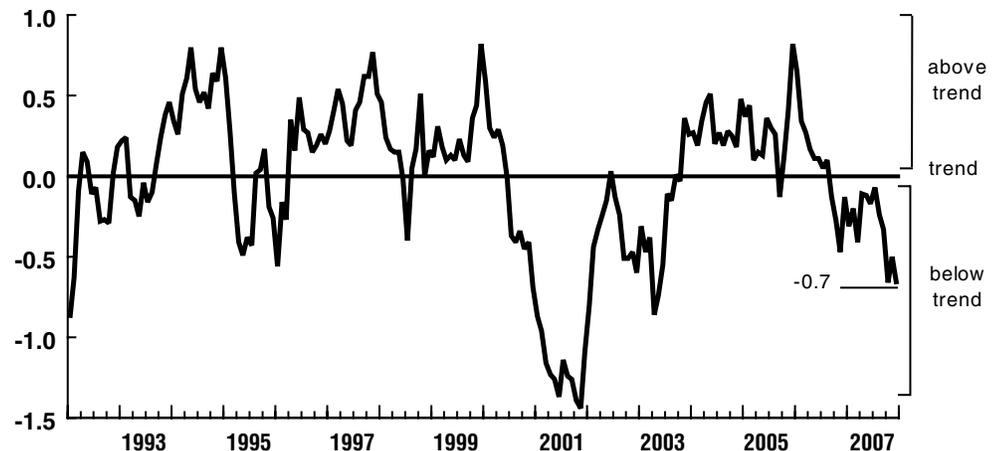
Index shows economic growth below average in December

The Chicago Fed National Activity Index was -0.91 in December, down from -0.29 in November. All four broad categories of indicators made negative contributions to the index in December.

The three-month moving average, CFNAI-MA3, decreased to -0.67 in December from -0.50 in November. This negative value suggests that growth in national economic activity was below its historical trend. With regard to inflation, December's three-month moving average indicates low inflationary pressure from economic activity over the coming year.

The decrease in the monthly index from November was primarily the result of a decline in the employment category of indicators. Employment-related indicators made a contribution of -0.43 to the index in December, following a contribution of -0.10 in November. Total nonfarm payroll employment increased by 18,000 in December after a gain of 115,000 in November, and private nonfarm payroll employment decreased by 13,000 in December after increasing by 87,000 in the previous month. In addition, the unemployment rate rose from 4.7 percent in November to 5.0 percent in December.

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



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

	Dec '07	Nov '07	Oct '07	Sep '07	Aug '07	Jul '07	Dec '06
CFNAI							
Current	-0.91	-0.29	-0.81	-0.39	-0.78	+0.19	+0.65
Previous	N/A	-0.27	-0.89	-0.42	-0.77	+0.18	+0.63
CFNAI-MA3							
Current	-0.67	-0.50	-0.66	-0.33	-0.24	-0.07	-0.13
Previous	N/A	-0.53	-0.69	-0.33	-0.23	-0.07	-0.13

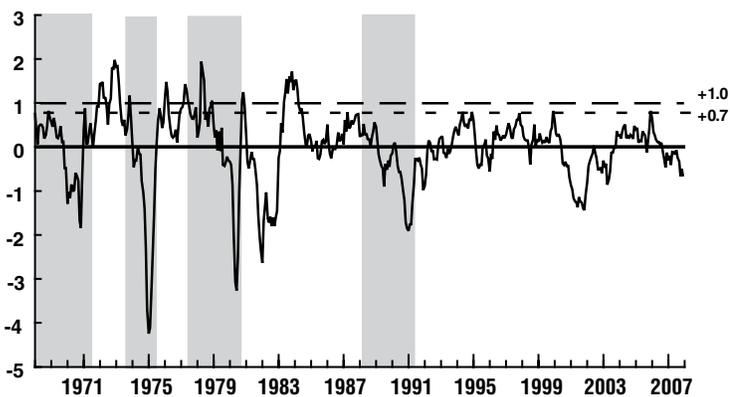
Current and Previous values reflect index values as of the January 22, 2008, release and December 20, 2007, release, respectively. N/A indicates not applicable.

The consumption and housing category of indicators also made a large negative contribution of -0.26 to the index in December, following a contribution of -0.14 in November. Housing starts declined by 14.2 percent in December following a 7.9 percent decrease in the previous month, while housing permits declined by 8.1 percent in December after decreasing 0.7 percent in November.

Production-related indicators made a larger negative contribution of -0.18 to the index in December compared with a contribution of -0.01 in November. Both total industrial and manufacturing production were unchanged in December after increasing by 0.3 percent in November. In addition, the Institute for Supply Management's Purchasing Managers Index (PMI) declined from 50.8 in November to 47.7 in December. The sales, orders, and inventories category made a small negative contribution of -0.05 in December after contributing the same amount in the previous month.

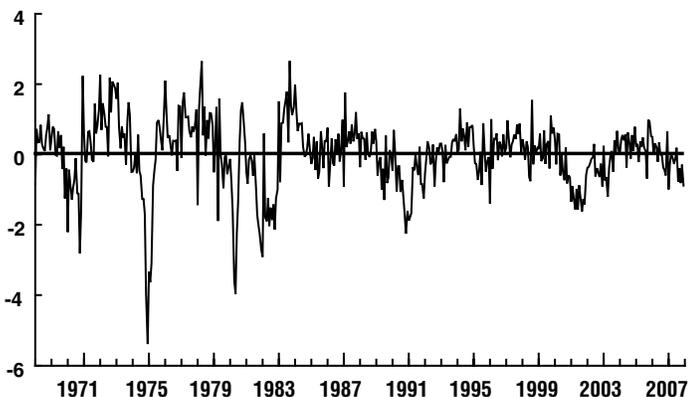
Thirteen of the 85 individual indicators made positive contributions to the index in December, while 72 made negative contributions.

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.

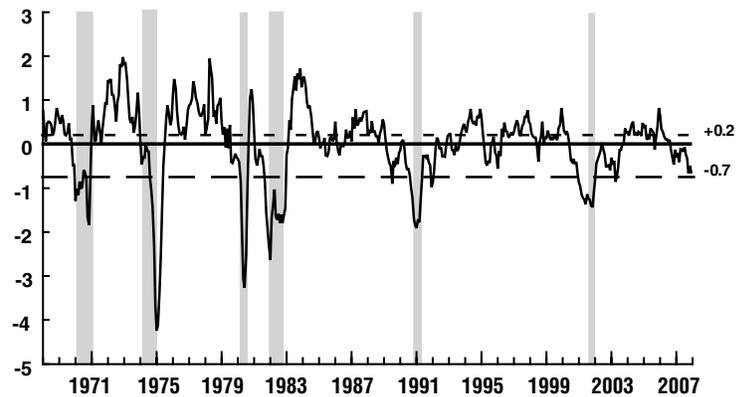
CFNAI, Monthly Index



Thirty-one indicators improved from November to December, while 54 indicators deteriorated. Of the improved indicators, 20 made negative contributions. The index was constructed using data available as of January 17, 2008. At that time, December data for 50 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

The November monthly index was revised down to -0.29 from the initial estimate of -0.27 . 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 November monthly index was primarily due to differences between the estimates of previously unavailable data and subsequently published data.

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.

2008 CFNAI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
<i>February 25, 2008</i>	<i>January 2008</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>