

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
July 21, 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:
August 25, 2008
8:30 am Eastern Time
7:30 am Central Time

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Chicago Fed *National Activity Index*

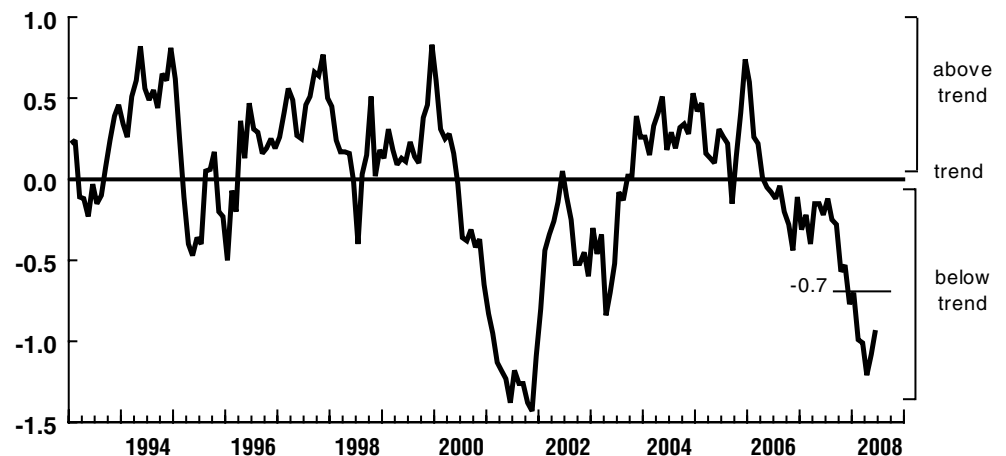
Index shows economic activity still slow but improved in June

The Chicago Fed National Activity Index was -0.60 in June, up from -1.06 in May. All four broad categories of indicators improved in June; however, both the employment category and the consumption and housing category made negative contributions to the index.

The three-month moving average, CFNAI-MA3, increased to -0.93 in June from -1.08 in May. This negative value suggests that growth in national economic activity was below its historical trend. With regard to inflation, June's three-month moving average indicates low inflationary pressure from economic activity over the coming year. In addition, June marked the seventh consecutive month that the CFNAI-MA3 was below the -0.70 threshold, which following a period of economic expansion indicates an increasing likelihood that a recession has begun.

The improvement in the index from May to June was primarily due to an increase in the contribution of production-related indicators. These indicators made a contribution of $+0.04$ to the index in June, compared with a contribution of -0.17 in May. Total industrial production increased

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



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

| | Jun '08 | May '08 | Apr '08 | Mar '08 | Feb '08 | Jan '08 | Jun '07 |
|------------------|---------|---------|---------|---------|---------|---------|---------|
| CFNAI | | | | | | | |
| Current | -0.60 | -1.06 | -1.13 | -1.04 | -1.44 | -0.54 | -0.19 |
| Previous | N/A | -0.96 | -1.23 | -1.05 | -1.54 | -0.56 | -0.19 |
| CFNAI-MA3 | | | | | | | |
| Current | -0.93 | -1.08 | -1.21 | -1.01 | -0.99 | -0.70 | -0.22 |
| Previous | N/A | -1.08 | -1.27 | -1.05 | -1.02 | -0.70 | -0.22 |

Current and Previous values reflect index values as of the July 21, 2008, release and June 23, 2008, release, respectively. N/A indicates not applicable.

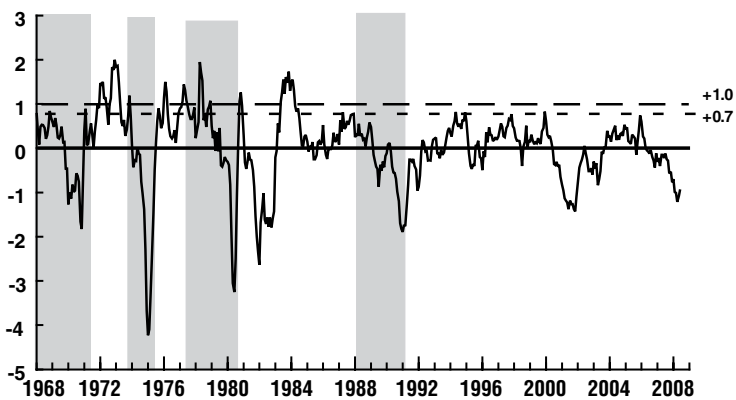
0.5 percent in June after declining 0.2 percent in the previous month; and production of durable consumer goods rose 2.6 percent in June after increasing 0.5 percent in May. The sales, orders, and inventories category made a contribution of +0.01 in June.

Employment-related indicators made a contribution of -0.43 to the index in June, following a contribution of -0.53 in May. Total non-farm payroll employment decreased by 62,000 in June for the second consecutive month, but the unemployment rate held steady at 5.5 percent.

The consumption and housing category of indicators made a contribution of -0.22 to the index in June, following a contribution of -0.25 in May. Housing starts increased 9.1 percent in June following a 2.7 percent decrease in the previous month, and building permits were 11.6 percent higher in June after decreasing 0.4 percent in May.

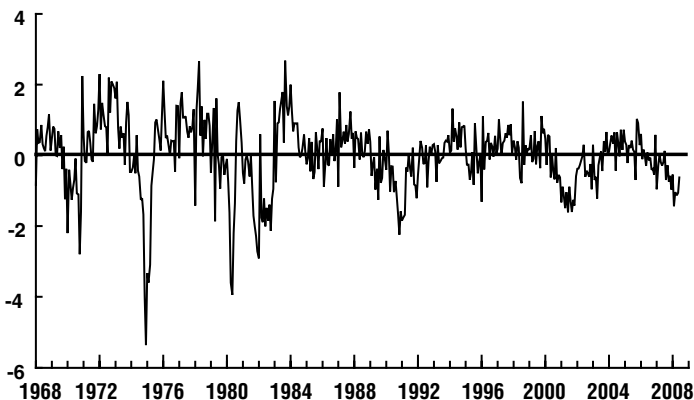
Thirty-one of the 85 individual indicators made positive contributions to the index in June, while 54 made negative contributions.

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.

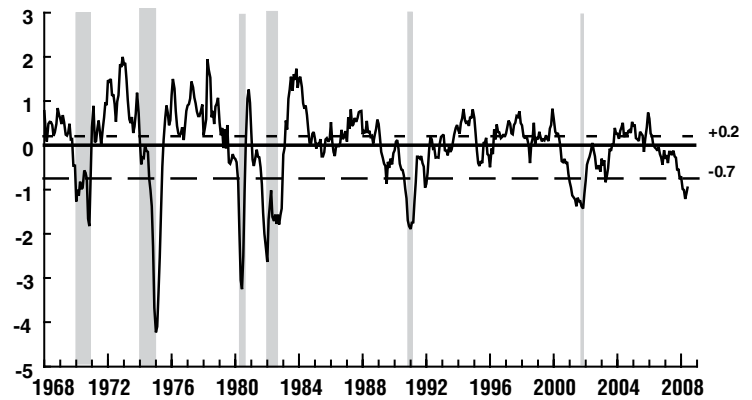
CFNAI, Monthly Index



Forty-nine indicators improved from May to June, while 35 indicators deteriorated. Of the improved indicators, 21 made negative contributions. The index was constructed using data available as of July 17, 2008. At that time, June data for 50 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

The May monthly index was revised down to -1.06 from an initial estimate of -0.96. 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 May 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

| Date of Release | Monthly Data for |
|--------------------|------------------|
| August 25, 2008 | July 2008 |
| September 22, 2008 | August 2008 |
| October 21, 2008 | September 2008 |
| November 24, 2008 | October 2008 |
| December 22, 2008 | November 2008 |