

News Release

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The monthly CFNAI index, a weighted average of 85 indicators of national economic activity, is constructed to have an average value of zero and a standard deviation of one. A zero value for the index indicates that the national economy is expanding at its historical trend rate of growth; negative values are associated with below-trend growth, while positive values indicate above-trend growth. Month-to-month movements in the CFNAI can be volatile, so a three-month moving average version, the CFNAI-MA3, provides a more consistent picture of national economic growth. The 85 economic indicators that are included in the CFNAI 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.

The next CFNAI will be released:
August 23, 2006
10:00 am Eastern Time
9:00 am Central Time

FEDERAL RESERVE BANK
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Chicago Fed National Activity Index

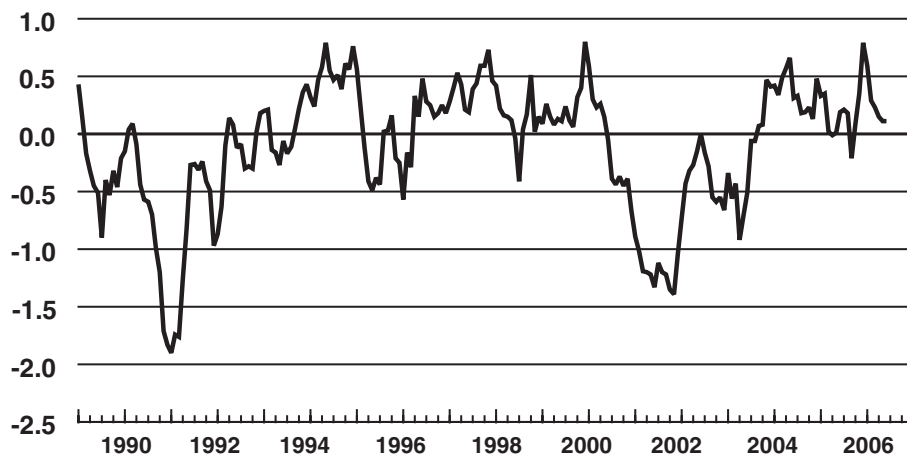
CFNAI indicates economic growth above trend in June

The Chicago Fed National Activity Index was +0.34 in June, up from -0.14 in May. Three of the four broad categories of indicators (see sidebar) made positive contributions to the index. The three-month moving average, CFNAI-MA3, was +0.11 in June, the same as in May. A CFNAI-MA3 reading above zero is associated with above-trend economic growth; accordingly, the CFNAI-MA3 value of +0.11 in June suggests that growth in national economic activity was above its historical trend. With regard to inflation, a CFNAI-MA3 value above zero indicates the potential for inflationary pressures over the coming year.

Production-related indicators made a contribution of +0.27 to the CFNAI in June after making a negative contribution of -0.07 in May. Total industrial production rose 0.8 percent in June after edging up 0.1 percent in the previous month. Manufacturing capacity utilization increased from 80.7 percent in May to 81.1 percent in June.

Consumption and housing indicators made a contribution of +0.06 in June. Housing starts fell 5.3 percent in June, and residential building permits declined 4.3 percent. However, both measures remained above historical norms and continued to make positive contributions to the CFNAI. The sales, orders, and inventories category made a contribution of +0.02 to the June CFNAI.

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 '06	May '06	Apr '06	Mar '06	Feb '06	Jan '06	Jun '05
CFNAI							
Current	+0.34	-0.14	+0.13	+0.34	-0.03	+0.40	+0.36
Previous	N/A	-0.16	+0.26	+0.38	-0.02	+0.39	+0.40
CFNAI-MA3							
Current	+0.11	+0.11	+0.15	+0.23	+0.29	+0.59	+0.19
Previous	N/A	+0.16	+0.21	+0.25	+0.30	+0.60	+0.19

Current and Previous values reflect index values as of the July 26, 2006, release and June 22, 2006, release, respectively. N/A indicates not applicable.

Employment-related indicators made a small negative contribution of -0.01 to the CFNAI in June after contributing -0.13 to the index in May. Nonfarm payroll employment increased 121,000 in June, which surpassed the 92,000 gain in May. The unemployment rate held steady at 4.6 percent.

Fifty-seven of the 85 individual indicators made positive contributions to the index in June, while 27 made negative contributions and one was neutral. Fifty-four indicators improved from May to June, although 12 of these made below-average contributions to the index. The CFNAI was constructed using data available as of July 24, 2006. At that time, June data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

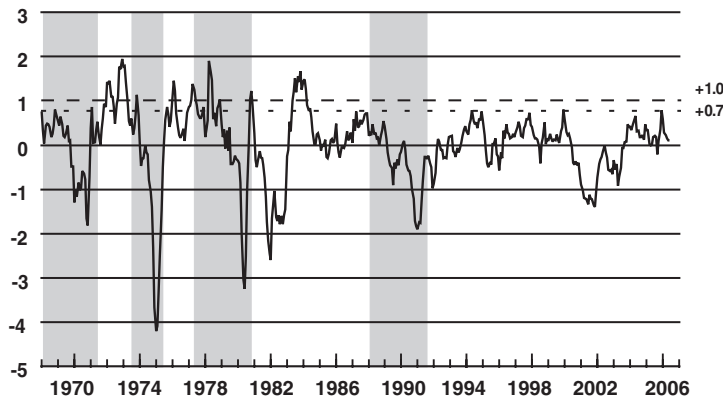
May's CFNAI initial estimate of -0.16 was revised up to -0.14 . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and

subsequently published data. The upward revision to the May CFNAI was primarily due to revisions in previously published data.

Interpreting the CFNAI-MA3

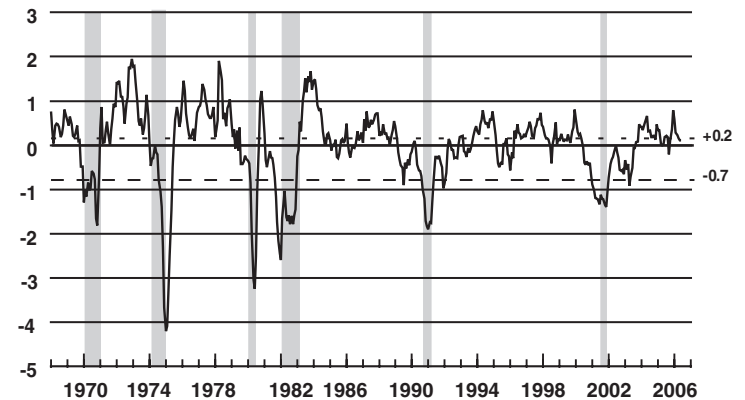
If CFNAI-MA3 $> +1.00$ more than two years into an economic expansion...	Substantial likelihood that a period of sustained accelerating inflation has begun.
If CFNAI-MA3 $> +0.70$ more than two years into an economic expansion...	Increasing likelihood that a period of sustained accelerating inflation has begun.
If CFNAI-MA3 $> +0.20$ following a period of economic contraction...	Significant likelihood that a recession has ended.
If CFNAI-MA3 < -0.70 following a period of economic expansion...	Increasing likelihood that a recession has begun.

CFNAI-MA3 and Inflation Cycles



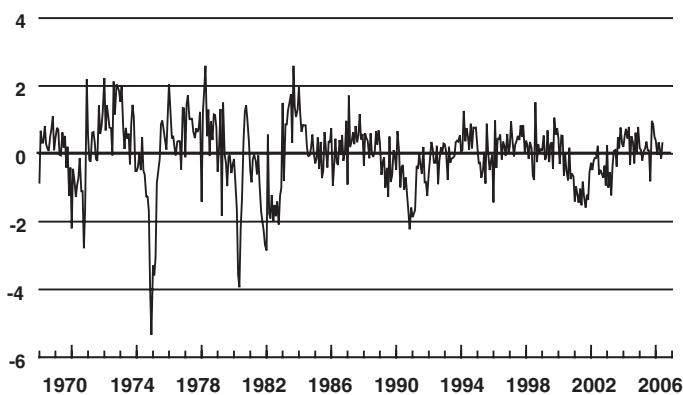
(Shading represents periods of substantial inflation increases.)

CFNAI-MA3 and Business Cycles



(Shading indicates official NBER periods of recession.)

CFNAI, Monthly Index



2006 CFNAI Release Dates

Date of Release	Monthly Data for:
August 23, 2006	July 2006
September 21, 2006	August 2006
October 25, 2006	September 2006
November 21, 2006	October 2006
December 21, 2006	November 2006

CFNAI historical data and background information are available on the Federal Reserve Bank of Chicago's website at <http://www.chicagofed.org>.