

## News Release

Embargoed for release:  
8:30 am Eastern Time  
7:30 am Central Time  
April 23, 2007

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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:  
May 21, 2007  
8:30 am Eastern Time  
7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed *National Activity Index*

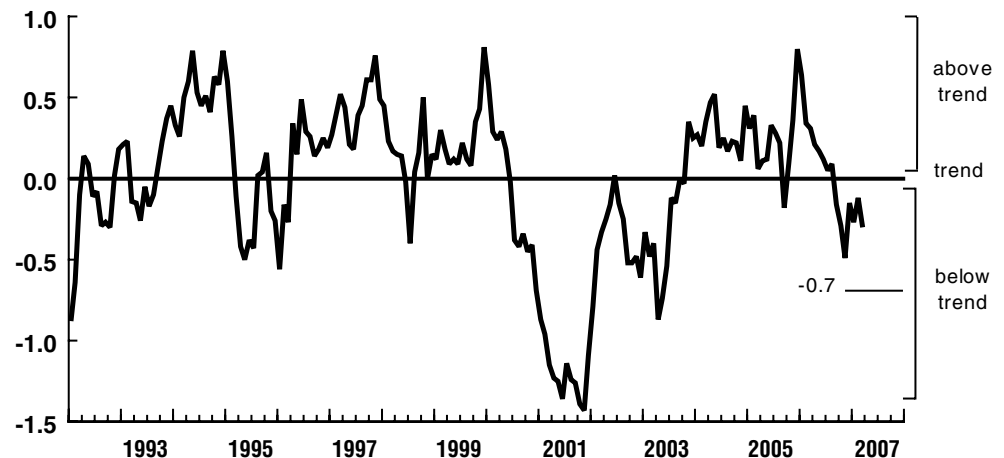
## Index shows economic growth near average in March

*The Chicago Fed National Activity Index was  $+0.01$  in March, up from  $-0.11$  in February. The employment category made a positive contribution to the index, while the production and income category as well as the consumption and housing category made negative contributions to the index.*

The three-month moving average, CFNAI-MA3, decreased from  $-0.12$  in February to  $-0.30$  in March, suggesting that growth in national economic activity was below its historical trend. With regard to inflation, March's three-month moving average indicates little inflationary pressure over the coming year.

Employment-related indicators made a contribution of  $+0.10$  to the index in March after contributing  $-0.17$  in the previous month. The March unemployment rate edged down to 4.4 percent from 4.5 percent in February. Nonfarm payroll employment increased 180,000 in March, after adding 113,000 jobs in February.

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



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

	Mar '07	Feb '07	Jan '07	Dec '06	Nov '06	Oct '06	Mar '06
<b>CFNAI</b>							
Current	+0.01	-0.11	-0.80	+0.57	-0.59	-0.43	+0.44
Previous	N/A	+0.03	-0.72	+0.64	-0.62	-0.41	+0.44
<b>CFNAI-MA3</b>							
Current	-0.30	-0.12	-0.27	-0.15	-0.49	-0.29	+0.31
Previous	N/A	-0.02	-0.23	-0.13	-0.50	-0.29	+0.30

Current and Previous values reflect index values as of the April 23, 2007, release and March 26, 2007, release, respectively. N/A indicates not applicable.

Production-related indicators made a contribution of  $-0.04$  to the index in March, following a contribution of  $+0.16$  in February. Total industrial production fell 0.2 percent in March after rising 0.8 percent in the previous month. The fall in industrial production more than offset an increase in manufacturing capacity utilization, from 79.7 percent in February to 80.1 percent in March.

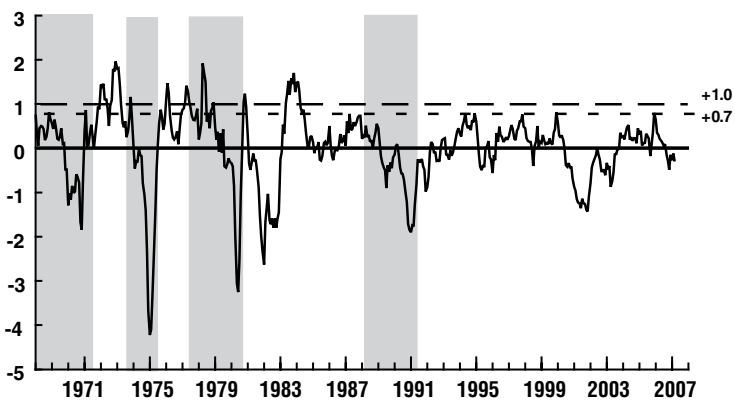
Consumption and housing indicators made a contribution of  $-0.04$  to the index in March, after making a contribution of  $-0.09$  in February. Housing starts increased by 0.8 percent in March, which was below its historical norm. The sales, orders, and inventories category made a neutral contribution to the index in March after contributing  $-0.03$  in February.

Fifty of the 85 individual indicators made positive contributions to the index in March, while 35 made negative contributions. Fifty indicators improved from February to March, while 34 indicators

deteriorated and one remained unchanged. Of the improved indicators, 10 made negative contributions. The index was constructed using data available as of April 19, 2007. At that time, March data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

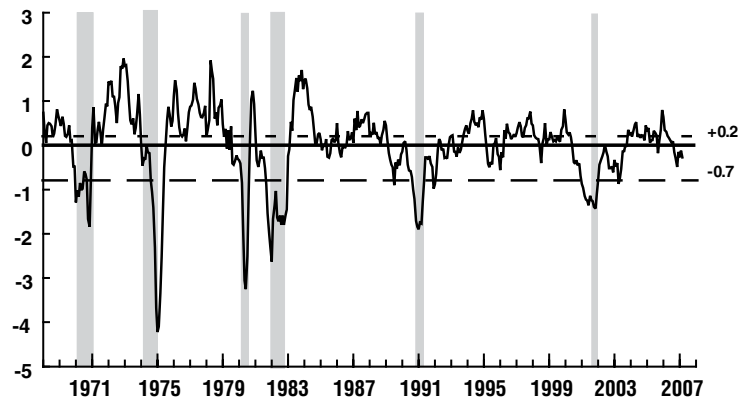
The February monthly index was revised down to  $-0.11$  from the initial estimate of  $+0.03$ . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The downward revision to the February monthly index was primarily due to revisions in previously published data.

### CFNAI-MA3 and Inflation Cycles



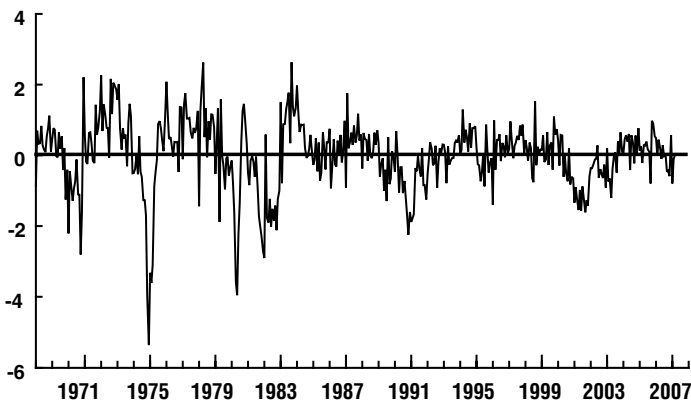
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above  $+0.70$  more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above  $+1.00$  more than two years into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



### 2007 CFNAI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
<i>May 21, 2007</i>	<i>April 2007</i>
<i>June 25, 2007</i>	<i>May 2007</i>
<i>July 23, 2007</i>	<i>June 2007</i>
<i>August 20, 2007</i>	<i>July 2007</i>
<i>September 24, 2007</i>	<i>August 2007</i>
<i>October 22, 2007</i>	<i>September 2007</i>
<i>November 26, 2007</i>	<i>October 2007</i>
<i>December 20, 2007</i>	<i>November 2007</i>