

## News Release

Embargoed for release:  
8:30 am Eastern Time  
7:30 am Central Time  
August 20, 2007

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:  
September 24, 2007  
8:30 am Eastern Time  
7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed *National Activity Index*

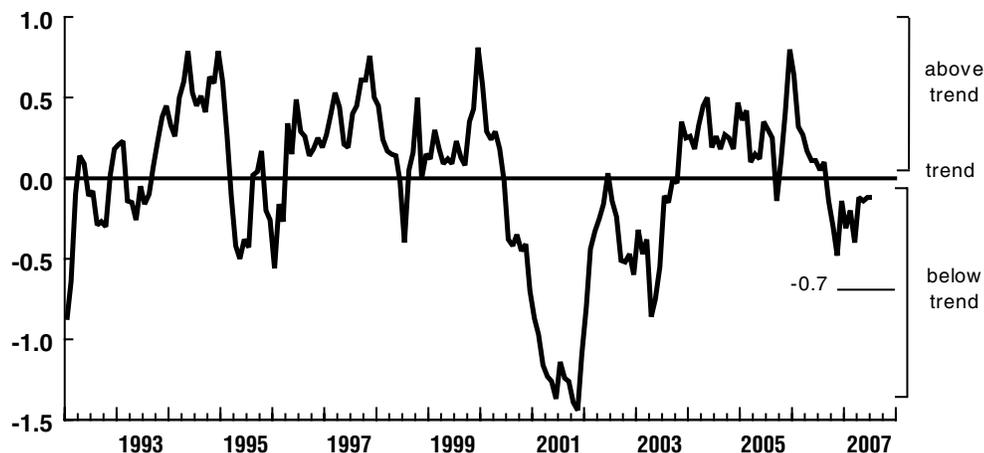
## Index shows economic growth slightly below average in July

The Chicago Fed National Activity Index was  $-0.10$  in July, down from  $+0.06$  in June. The production and income category made a positive contribution to the index, which was offset by the negative contributions in the employment category and the consumption and housing category. The sales, orders, and inventories category made a neutral contribution in July.

The three-month moving average, CFNAI-MA3, remained at  $-0.12$  during June and July. This negative value suggests that growth in national economic activity was below its historical trend. With regard to inflation, July's three-month moving average indicates little inflationary pressure over the coming year.

Production-related indicators made a contribution of  $+0.11$  to the index in July, following a contribution of  $+0.26$  in June. Total industrial production increased by 0.3 percent in July after rising 0.6 percent in the previous month. Manufacturing capacity utilization moved up to 80.7 percent in July from 80.4 percent in June. The sales, orders, and inventories category made a neutral contribution in July after contributing  $+0.02$  in June.

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



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

	Jul '07	Jun '07	May '07	Apr '07	Mar '07	Feb '07	Jul '06
<b>CFNAI</b>							
Current	-0.10	+0.06	-0.34	-0.10	+0.02	-0.28	+0.02
Previous	N/A	+0.11	-0.32	-0.23	+0.03	-0.29	-0.03
<b>CFNAI-MA3</b>							
Current	-0.12	-0.12	-0.14	-0.12	-0.40	-0.20	+0.05
Previous	N/A	-0.15	-0.17	-0.16	-0.38	-0.20	+0.06

Current and Previous values reflect index values as of the August 20, 2007, release and July 23, 2007, release, respectively. N/A indicates not applicable.

Employment-related indicators made a contribution of  $-0.14$  to the index in July, following a contribution of  $-0.11$  in June. Nonfarm payroll employment expanded by 92,000 in July, down from the gain of 126,000 in June. The July unemployment rate edged up to 4.6 percent from the previous month's value of 4.5 percent.

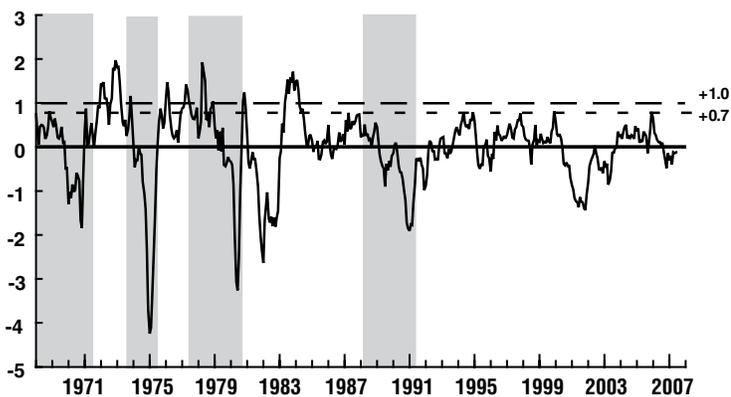
Consumption and housing indicators contributed  $-0.08$  to the index in July, following a contribution of  $-0.11$  in June. Housing permits decreased by 2.8 percent in July, and housing starts fell 6.1 percent.

Forty-two of the 85 individual indicators made positive contributions to the index in July, while 43 made negative contributions. Thirty-eight indicators improved from June to July, while 47 indicators deteriorated. Of the improved indicators, 13 made negative contributions. The index was constructed using data available as of

August 16, 2007. At that time, July data for 49 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

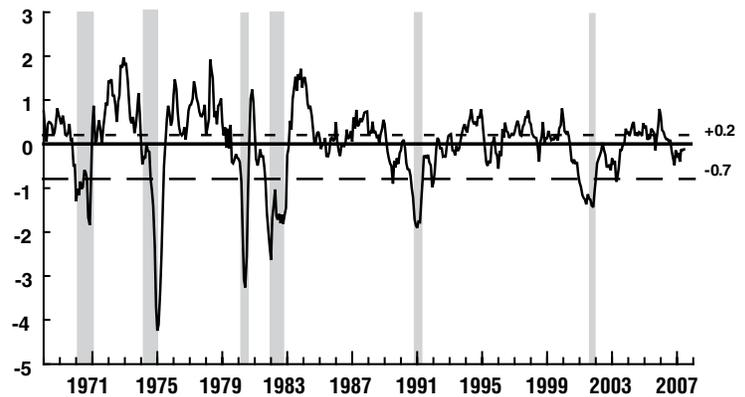
The June monthly index was revised down to  $+0.06$  from the initial estimate of  $+0.11$ . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The downward revision to the June monthly index was primarily due to differences between the estimates of previously unavailable data and subsequently published data.

### CFNAI-MA3 and Inflation Cycles



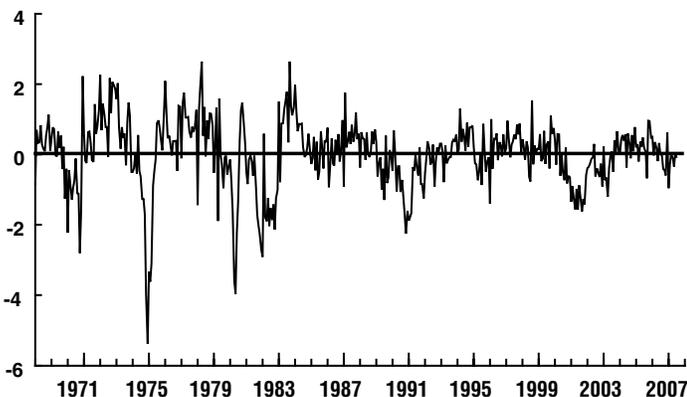
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above  $+0.70$  more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above  $+1.00$  more than two years into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