

News Release

Embargoed for release:
8:30 am Eastern Time
7:30 am Central Time
February 20, 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:
March 26, 2007
8:30 am Eastern Time
7:30 am Central Time

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Chicago Fed *National Activity Index*

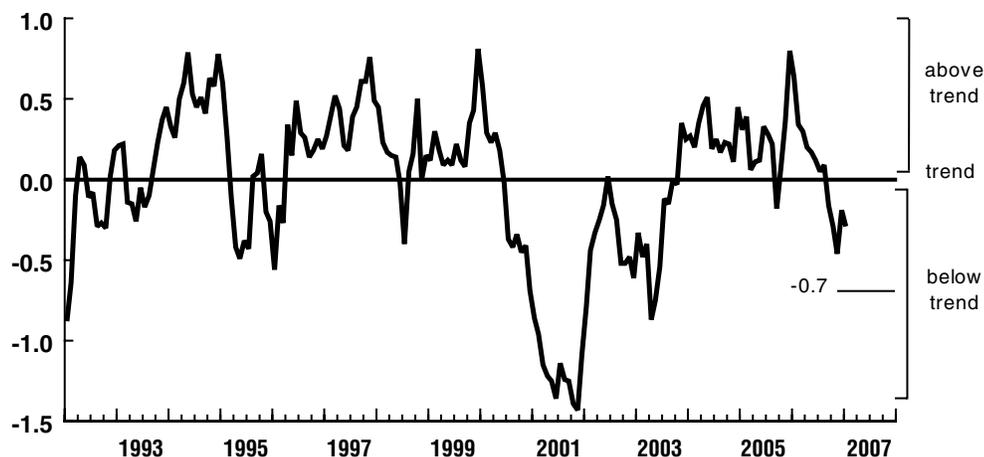
Index shows economic growth below average in January

The Chicago Fed National Activity Index was -0.74 in January, down from $+0.36$ in December. The production and employment indicators showed the most significant change from the previous month, although all four broad categories of data made negative contributions.

The three-month moving average of the index, CFNAI-MA3, decreased from -0.19 in December to -0.29 in January, suggesting that growth in national economic activity continued to be below its historical trend. These numbers also indicate little inflationary pressure over the coming year.

Production-related indicators made a negative contribution of -0.48 to the index in January, following a positive contribution of $+0.24$ in December. Total industrial production fell 0.5 percent in January after rising 0.5 percent in the previous month. Manufacturing capacity utilization decreased from 80.4 percent in December to 79.6 percent in January.

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



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

	Jan '07	Dec '06	Nov '06	Oct '06	Sep '06	Aug '06	Jan '06
CFNAI							
Current	-0.74	+0.36	-0.50	-0.42	-0.45	+0.01	+0.48
Previous	N/A	+0.04	-0.30	-0.32	-0.45	+0.05	+0.43
CFNAI-MA3							
Current	-0.29	-0.19	-0.46	-0.29	-0.16	+0.09	+0.64
Previous	N/A	-0.19	-0.36	-0.24	-0.18	+0.07	+0.61

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

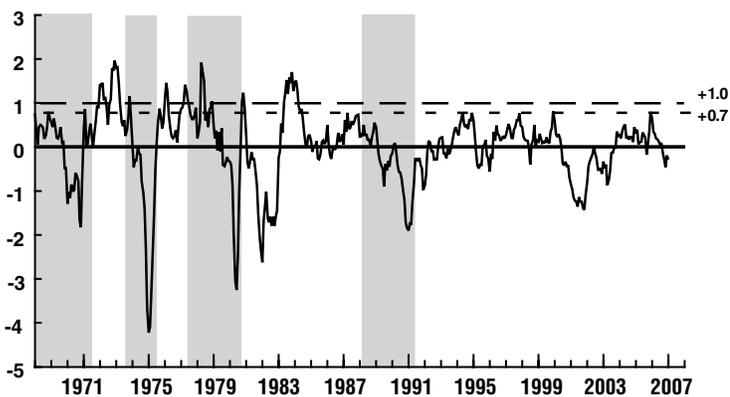
Employment-related indicators made a negative contribution of -0.14 to the index in January after contributing $+0.13$ in the previous month. Nonfarm payroll employment increased 111,000 in January, after adding 206,000 jobs in December. The January unemployment rate rose to 4.6 percent from 4.5 percent in December, though initial claims for unemployment insurance edged down for the second month in a row.

Consumption and housing indicators made a negative contribution of -0.08 to the index in January, after making a neutral contribution in December. Housing starts fell 14 percent during January, following two months of gains. Housing permits decreased by 3 percent during the month. The sales, orders, and inventories category also made a small negative contribution of -0.03 to the index in January after contributing -0.01 in December.

Thirty of the 85 individual indicators made positive contributions to the index in January, while 55 made negative contributions. Twenty-five indicators improved from December to January, while 65 indicators deteriorated. Of the improved indicators, eight made negative contributions. The index was constructed using data available as of February 16, 2007. At that time, January data for 49 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

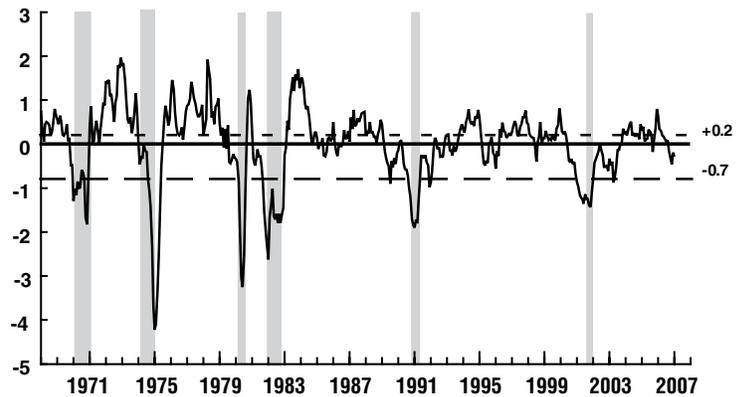
The December monthly index was revised up to $+0.36$ from the initial estimate of $+0.04$. Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The upward revision to the December CFNAI was primarily due to differences between the estimates of unavailable data and subsequently published data.

CFNAI-MA3 and Inflation Cycles



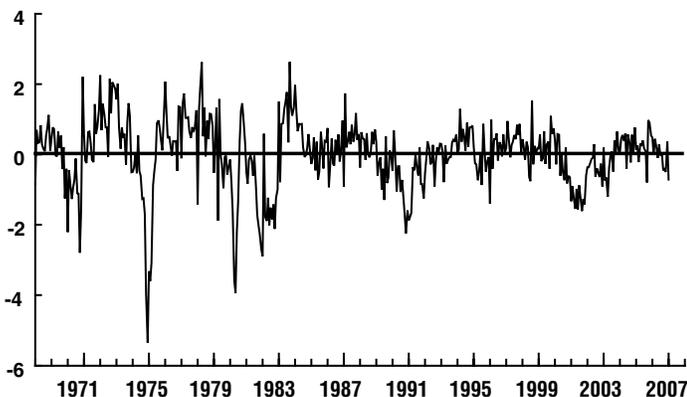
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above $+0.70$ more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above $+1.00$ more than two years into an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

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