

## News Release

Embargoed for release:  
8:30 am Eastern Time  
7:30 am Central Time  
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Contact:  
Bridget Houlihan  
Media Relations  
312-322-6842

Federal Reserve Bank of Chicago  
230 South LaSalle Street  
Chicago, IL 60604

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:  
February 20, 2007  
8:30 am Eastern Time  
7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed National Activity Index

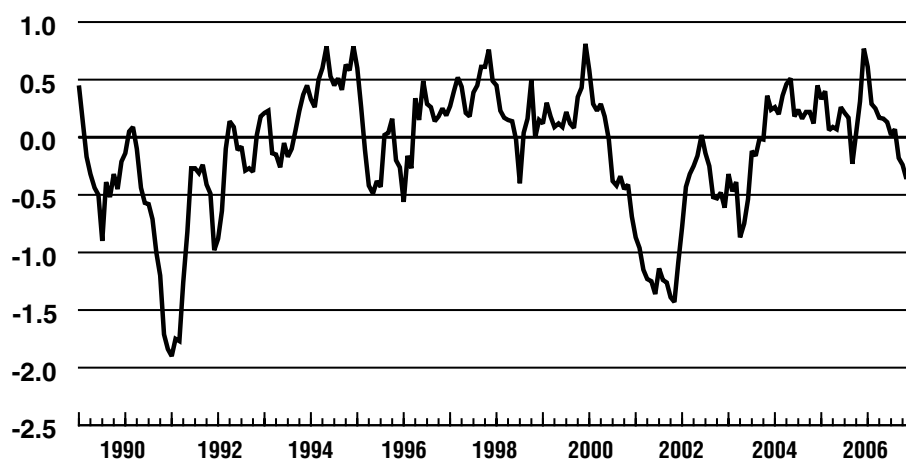
## CFNAI indicates economic growth below trend in December

The Chicago Fed National Activity Index was +0.04 in December, up from -0.30 in November. Three of the four broad categories of indicators in the index made negative contributions (see sidebar). The three-month moving average, CFNAI-MA3, increased from -0.36 in November to -0.19 in December. A CFNAI-MA3 reading below zero is associated with below-trend economic growth; accordingly, the CFNAI-MA3 value of -0.19 for December suggests that growth in national economic activity was below its historical trend. With regard to inflation, a CFNAI-MA3 value below zero indicates little inflationary pressure over the coming year.

Production-related indicators made a positive contribution of +0.14 to the CFNAI in December, following a negative contribution of -0.17 in November. Total industrial production rose 0.4 percent in December after falling 0.1 percent in the previous month. Manufacturing capacity utilization increased from 80.0 percent in November to 80.4 percent in December.

Employment-related indicators made a negative contribution of -0.03 to the CFNAI in December after contributing -0.12 to the index in the previous month. Nonfarm payroll employment increased 167,000 in December, up from the 154,000 gain in November. The unemployment rate remained unchanged at 4.5 percent.

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



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

	Dec '06	Nov '06	Oct '06	Sep '06	Aug '06	Jul '06	Dec '05
<b>CFNAI</b>							
Current	+0.04	-0.30	-0.32	-0.45	+0.05	-0.14	+0.49
Previous	N/A	-0.26	-0.30	-0.39	+0.05	-0.16	+0.48
<b>CFNAI-MA3</b>							
Current	-0.19	-0.36	-0.24	-0.18	+0.07	+0.02	+0.77
Previous	N/A	-0.32	-0.22	-0.17	+0.07	+0.02	+0.77

Current and Previous values reflect index values as of the January 22, 2007, release and December 21, 2006, release, respectively. N/A indicates not applicable.

Consumption and housing indicators made a small negative contribution of  $-0.03$  to the December CFNAI, after making a neutral contribution in November. The sales, orders, and inventories category also made a small negative contribution of  $-0.03$  to the December CFNAI, the same as in the previous month.

Thirty-seven of the 85 individual indicators made positive contributions to the index in December, while 48 made negative contributions. Fifty-three indicators improved from November to December, while 31 indicators deteriorated. Of the improved indicators, 24 made negative contributions to the CFNAI. The CFNAI was constructed using data available as of January 18, 2007. At that time, December data for 50 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

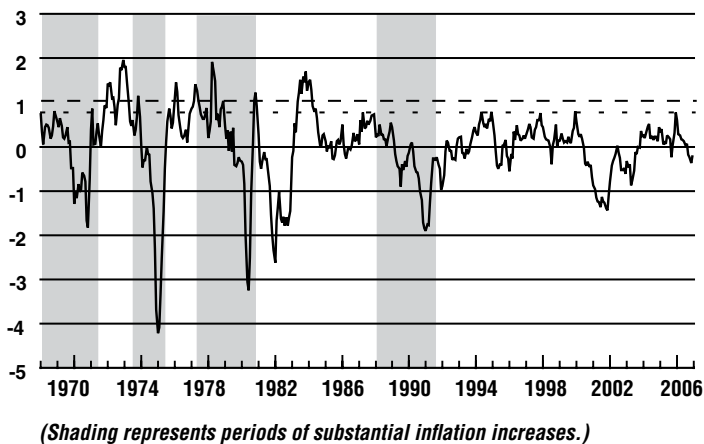
The November CFNAI was revised down to  $-0.30$  from the initial estimate of  $-0.26$ . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data

and subsequently published data. The downward revision to the November CFNAI was primarily due to revisions in previously published data.

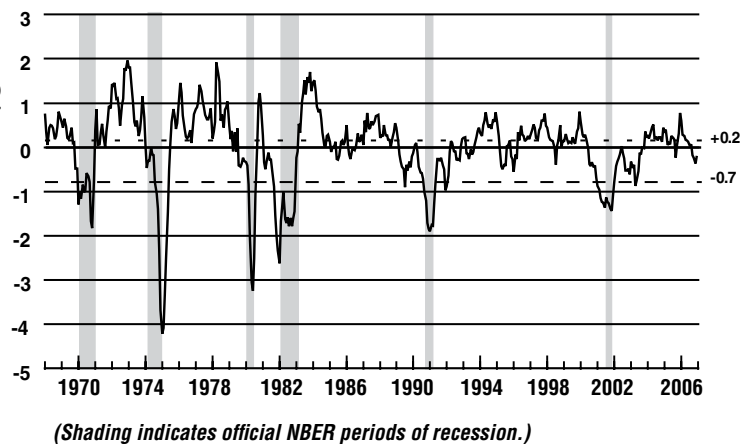
### Interpreting the CFNAI-MA3

If CFNAI-MA3 > +1.00 more than two years into an economic expansion...	Substantial likelihood that a period of sustained increasing inflation has begun.
If CFNAI-MA3 > +0.70 more than two years into an economic expansion...	Increasing likelihood that a period of sustained increasing 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.

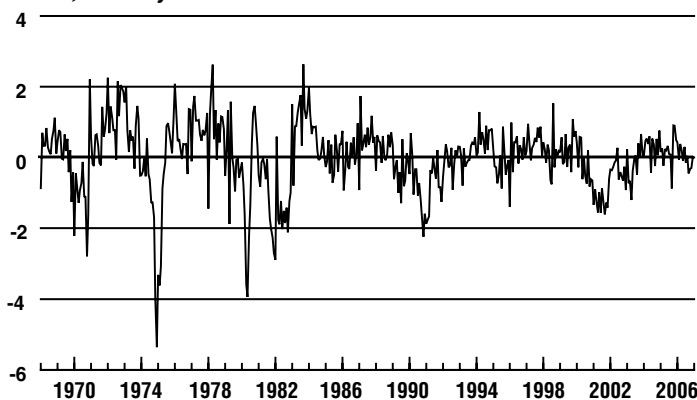
### CFNAI-MA3 and Inflation Cycles



### CFNAI-MA3 and Business Cycles



### CFNAI, Monthly Index



### 2007 CFNAI Release Dates

Date of Release	Monthly Data for:
February 20, 2007	January 2007
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