

News Release

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

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Chicago Fed *National Activity Index*

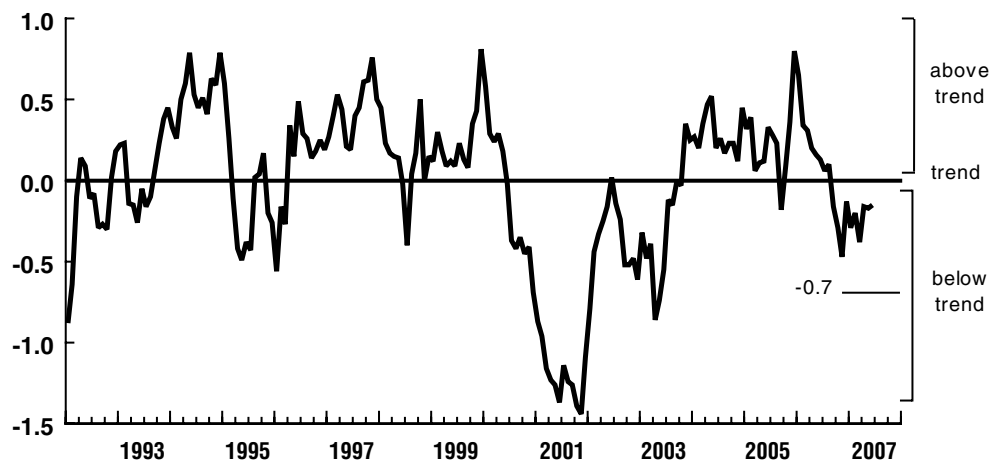
Index shows economic growth near average in June

The Chicago Fed National Activity Index was +0.11 in June, up from -0.32 in May. Two of the broad categories of indicators—production and income and sales, orders, and inventories—made positive contributions to the index in June. However, the employment category as well as the consumption and housing category made negative contributions.

The three-month moving average, CFNAI-MA3, edged up to -0.15 in June from -0.17 in May. This negative value suggests that growth in national economic activity was below its historical trend. With regard to inflation, June's three-month moving average indicates little inflationary pressure over the coming year.

Production-related indicators made a contribution of $+0.22$ to the index in June, following a contribution of -0.18 in May. Total industrial production increased by 0.5 percent in June after falling 0.1 percent in the previous month. Manufacturing capacity utilization edged up to 80.3 percent in June from 79.9 percent in May. The sales, orders, and inventories category made a slight positive contribution of $+0.03$ to the index in June after contributing -0.02 in May.

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 '07	May '07	Apr '07	Mar '07	Feb '07	Jan '07	Jun '06
CFNAI							
Current	+0.11	-0.32	-0.23	+0.03	-0.29	-0.88	+0.32
Previous	N/A	-0.22	-0.30	-0.08	-0.29	-0.90	+0.29
CFNAI-MA3							
Current	-0.15	-0.17	-0.16	-0.38	-0.20	-0.29	+0.13
Previous	N/A	-0.20	-0.22	-0.42	-0.20	-0.29	+0.12

Current and Previous values reflect index values as of the July 23, 2007, release and June 25, 2007, release, respectively. N/A indicates not applicable.

Employment-related indicators made a contribution of -0.08 to the index in June, unchanged from the previous month. Nonfarm payroll employment added 132,000 jobs in June, down from the gain of 190,000 jobs in May. The June unemployment rate remained at its previous month's value of 4.5 percent.

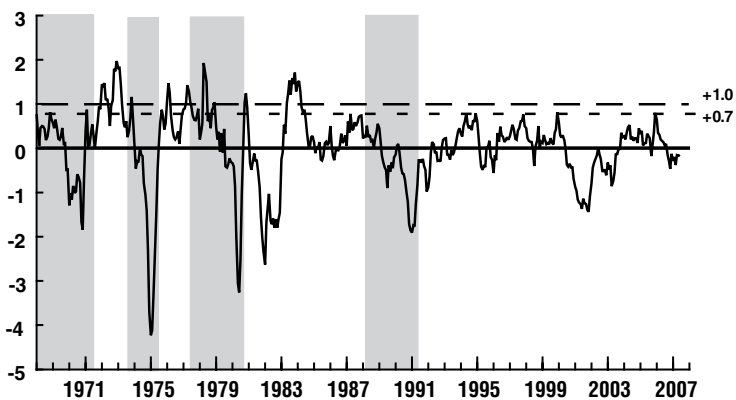
Consumption and housing indicators contributed -0.06 to the index in June, unchanged from its contribution in May. Housing permits decreased 8.1 percent in June, while housing starts increased 2.2 percent.

Fifty of the 85 individual indicators made positive contributions to the index in June, while 35 made negative contributions. Fifty-four indicators improved from May to June, while 29 indicators deteriorated and two indicators remained unchanged. Of the improved indicators, 11 made negative contributions. The index was

constructed using data available as of July 18, 2007. At that time, June data for 49 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

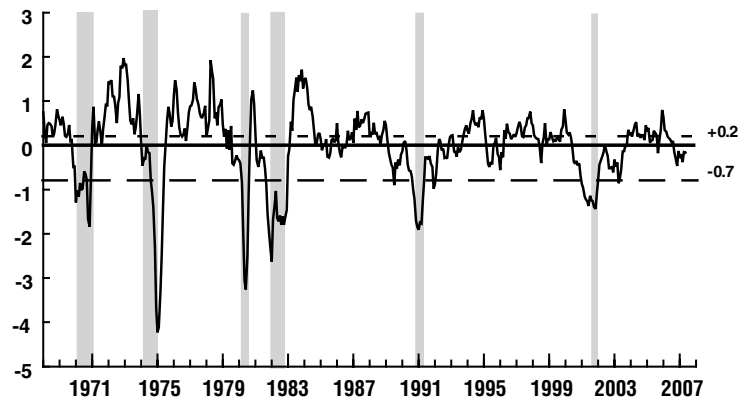
The May monthly index was revised down to -0.32 from the initial estimate of -0.22 . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The downward revision to the May monthly index was primarily due to differences between the estimates of previously unavailable data and subsequently published data.

CFNAI-MA3 and Inflation Cycles



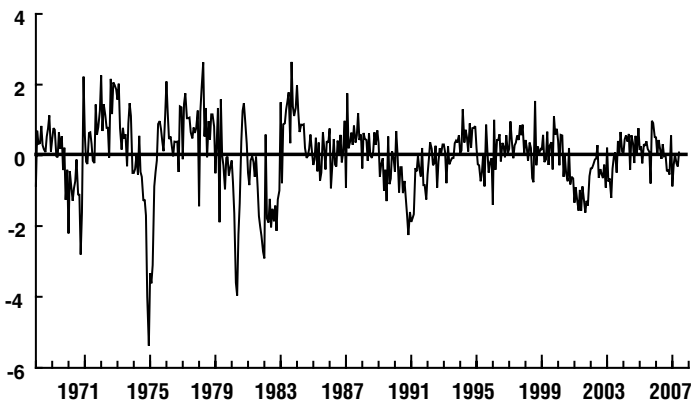
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above $+0.70$ more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above $+1.00$ more than two years into an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

Date of Release	Monthly Data for
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