

## News Release

Embargoed for release:  
8:30 am Eastern Time  
7:30 am Central Time  
May 21, 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:  
June 25, 2007  
8:30 am Eastern Time  
7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed *National Activity Index*

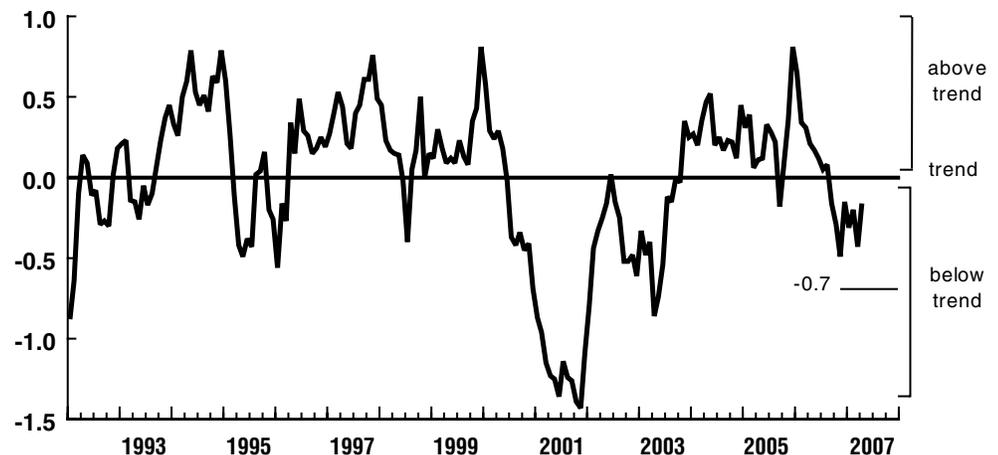
## Index shows economic growth below average in April

The Chicago Fed National Activity Index was  $-0.10$  in April, little changed from  $-0.11$  in March. The production and income category made a positive contribution to the index, which was offset by the negative contributions in the other three categories of indicators—employment, consumption and housing, and sales.

The three-month moving average, CFNAI-MA3, increased from  $-0.43$  in March to  $-0.16$  in April. This negative value suggests that growth in national economic activity was below its historical trend. With regard to inflation, April's three-month moving average indicates little inflationary pressure over the coming year.

Production-related indicators made a contribution of  $+0.23$  to the index in April, following a contribution of  $-0.11$  in March. Total industrial production rose 0.7 percent in April after falling 0.3 percent in the previous month. Manufacturing capacity utilization edged up from 80.0 percent in March to 80.2 percent in April.

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



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

	Apr '07	Mar '07	Feb '07	Jan '07	Dec '06	Nov '06	Apr '06
<b>CFNAI</b>							
Current	-0.10	-0.11	-0.27	-0.90	+0.57	-0.59	+0.19
Previous	N/A	+0.01	-0.11	-0.80	+0.57	-0.59	+0.19
<b>CFNAI-MA3</b>							
Current	-0.16	-0.43	-0.20	-0.31	-0.15	-0.49	+0.21
Previous	N/A	-0.30	-0.12	-0.27	-0.15	-0.49	+0.21

Current and Previous values reflect index values as of the May 21, 2007, release and April 23, 2007, release, respectively. N/A indicates not applicable.

Employment-related indicators made a contribution of  $-0.25$  to the index in April after contributing  $+0.06$  in the previous month. Nonfarm payroll employment added 88,000 jobs in April, down from the 177,000 gain in March. The April unemployment rate edged up to 4.5 percent from 4.4 percent in March.

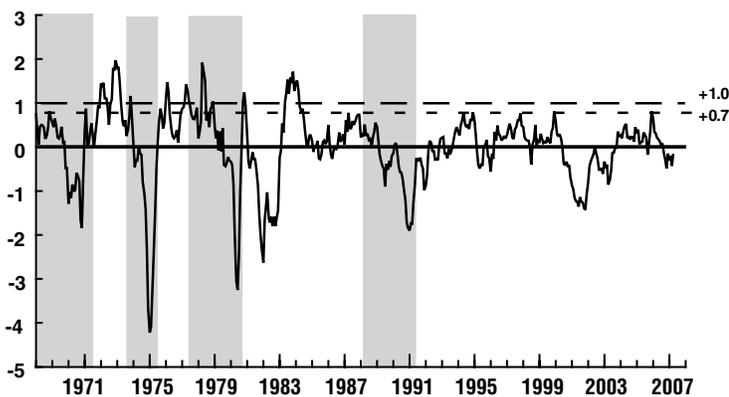
Consumption and housing indicators made a contribution of  $-0.04$  to the index in April after making a contribution of  $-0.09$  in March. The sales, orders, and inventories category made a contribution of  $-0.04$  to the index in April after contributing  $+0.03$  in March.

Thirty-two of the 85 individual indicators made positive contributions to the index in April, while 53 made negative contributions. Thirty-four indicators improved from March to April, while 51 indicators deteriorated. Of the improved indicators, 11 made negative contributions. The index was constructed using data available as of May 17, 2007. At that time, April data for 52 of the 85 indicators

had been published. For all missing data, estimates were used in constructing the index.

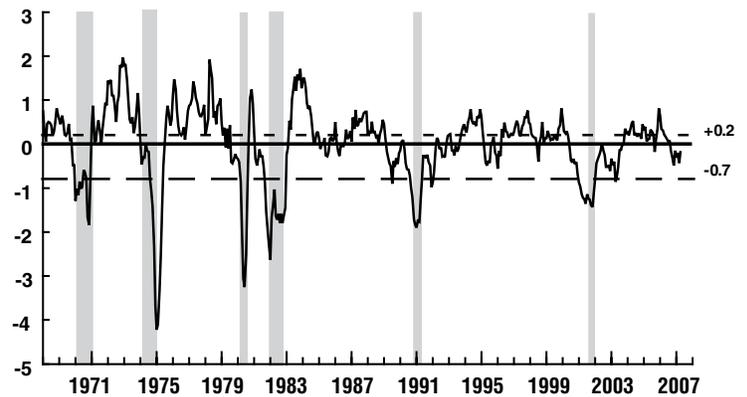
The March monthly index was revised down to  $-0.11$  from the initial estimate of  $+0.01$ . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The downward revision to the March monthly index was primarily due to the differences between the estimates of previously unavailable data and subsequently published data.

### CFNAI-MA3 and Inflation Cycles



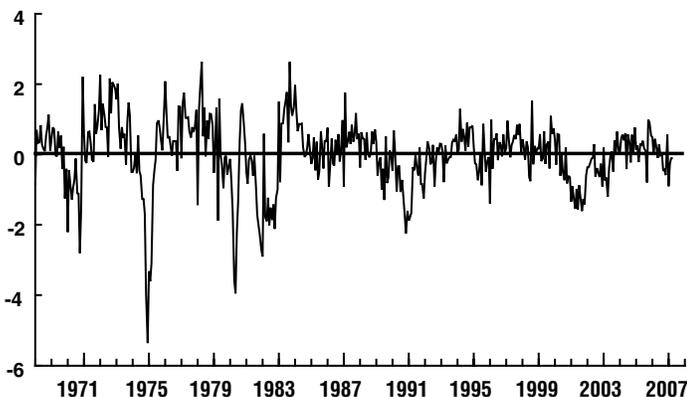
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above  $+0.70$  more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above  $+1.00$  more than two years into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