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.

The next CFNAI will be released:
September 24, 2007
8:30 am Eastern Time
7:30 am Central Time

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OF CHICAGO
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.

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.

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.

2007 CFNAI Release Dates

<table>
<thead>
<tr>
<th>Date of Release</th>
<th>Monthly Data for</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 24, 2007</td>
<td>August 2007</td>
</tr>
<tr>
<td>October 22, 2007</td>
<td>September 2007</td>
</tr>
<tr>
<td>November 26, 2007</td>
<td>October 2007</td>
</tr>
<tr>
<td>December 20, 2007</td>
<td>November 2007</td>
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CFNAI historical data and background information are available at www.chicagofed.org/cfna.