

News Release

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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:
October 25, 2006
10:00 am Eastern Time
9:00 am Central Time

FEDERAL RESERVE BANK
OF CHICAGO

Chicago Fed National Activity Index

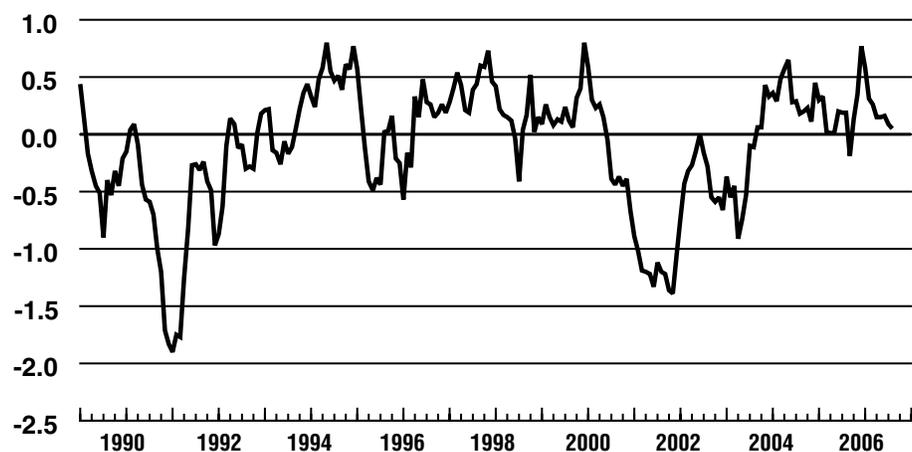
CFNAI indicates economic growth near trend in August

The Chicago Fed National Activity Index was -0.18 in August, down from -0.07 in July. Two of the four broad categories of indicators in the index made negative contributions (see sidebar). The three-month moving average, CFNAI-MA3, declined from $+0.09$ in July to $+0.05$ in August. A CFNAI-MA3 reading above zero is associated with above-trend economic growth; accordingly, the CFNAI-MA3 value of $+0.05$ for August suggests that growth in national economic activity was near its historical trend. With regard to inflation, a CFNAI-MA3 value above zero indicates the potential for inflationary pressures over the coming year.

Production-related indicators made a negative contribution of -0.16 to the CFNAI in August after making a positive contribution of $+0.10$ in July. Total industrial production fell 0.1 percent in August after rising 0.4 percent in the previous month. Manufacturing capacity utilization decreased slightly from 81.2 percent in July to 81.0 percent in August.

Employment-related indicators made a negative contribution of -0.04 to the CFNAI in August after contributing -0.25 to the index in July. Nonfarm payroll employment increased 128,000 in August, slightly more than the 121,000 gain in July. The unemployment rate fell from 4.8 percent to 4.7 percent in August.

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



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

	Aug '06	Jul '06	Jun '06	May '06	Apr '06	Mar '06	Aug '05
CFNAI							
Current	-0.18	-0.07	+0.38	-0.05	+0.15	+0.34	+0.13
Previous	N/A	-0.12	+0.43	-0.11	+0.14	+0.34	+0.10
CFNAI-MA3							
Current	+0.05	+0.09	+0.16	+0.15	+0.15	+0.26	+0.19
Previous	N/A	+0.07	+0.15	+0.12	+0.14	+0.24	+0.19

Current and Previous values reflect index values as of the September 21, 2006, release and August 23, 2006, release, respectively. N/A indicates not applicable.

Consumption and housing indicators made a neutral contribution to the August CFNAI. Housing starts fell 6.0 percent in August, and residential building permits declined 2.3 percent. However, both measures remained above historical norms and continued to make positive contributions to the CFNAI. The sales, orders, and inventories category made a small positive contribution of +0.02 to the August CFNAI.

Thirty-five of the 85 individual indicators made positive contributions to the index in August, while 49 made negative contributions and one was neutral. Thirty-six indicators improved from July to August, although 17 of these made below-average contributions to the index. The CFNAI was constructed using data available as of September 19, 2006. At that time, August data for 49 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

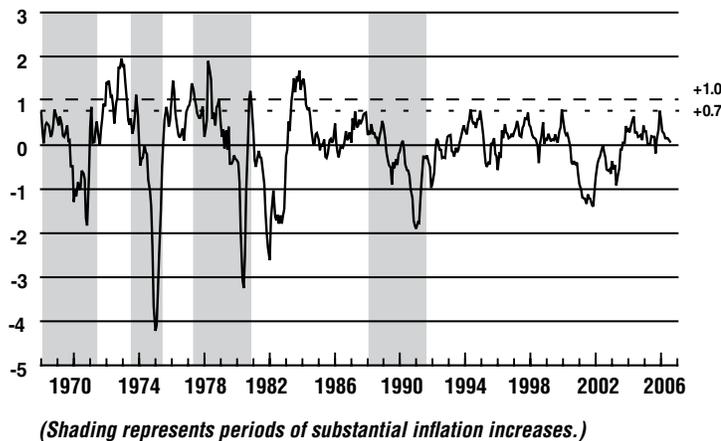
The July CFNAI was revised up to -0.07 from the initial estimate of -0.12. Revisions to the monthly index can be attributed to two

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 July CFNAI was primarily due to revisions in previously published data.

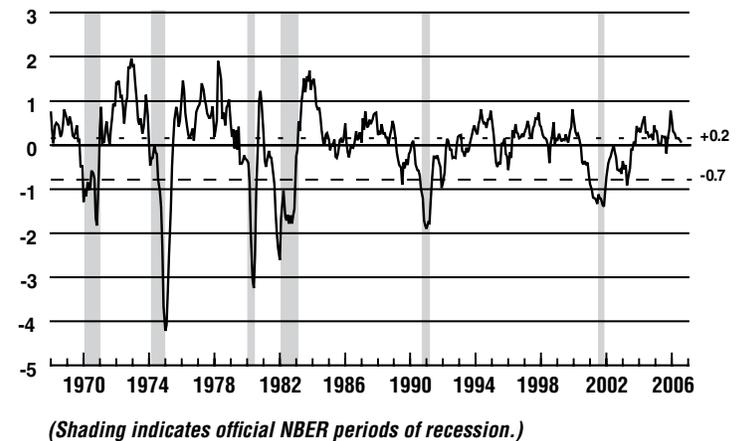
Interpreting the CFNAI-MA3

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

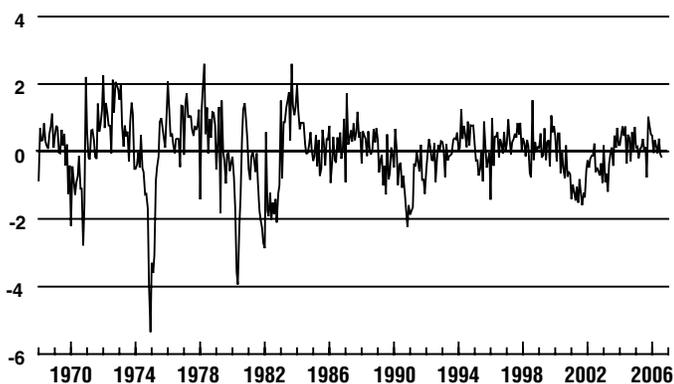
CFNAI-MA3 and Inflation Cycles



CFNAI-MA3 and Business Cycles



CFNAI, Monthly Index



2006 CFNAI Release Dates

Date of Release	Monthly Data for:
October 25, 2006	September 2006
November 21, 2006	October 2006
December 21, 2006	November 2006

CFNAI historical data and background information are available on the Federal Reserve Bank of Chicago's website at <http://www.chicagofed.org>.