CBAI increased in May

The Chicago Business Activity Index (CBAI) was 0.17 in May, the eighth consecutive positive reading since October 2004. This was mainly attributed to the increase of retail sales and manufacturing production. Considering that the CBAI leads the local business cycle and positive values of this index are associated with above-trend growth, the Chicago economy as a whole will continue to grow. However, CBAI prediction shows that the next 12 month’s growth will be slower than the past.

In May, the national economy presented a mixed feature. The coincident index of the Conference Board increased 0.2 percent. Non-manufacturing employment was up 0.1 percent. However, construction and retail sales decreased 3.8 percent and 0.5 percent, respectively.

The economic performance in Chicago showed some good features in May. Retail sales and the Chicago Fed Midwest manufacturing production increased 1.8 percent and 0.3 percent, respectively. However, construction and manufacturing employment decreased 6.8 percent and 0.2 percent, respectively.

The national economy and regional economy seem to suggest a temporary slowdown. The leading index of the Conference Board decreased 0.5 percent. However, 146,000 job gains and the rise of the Conference Board’s consumer confidence index from 103.1 to 105.8 in June show that business activity and labor market activity will continue to pick up over the next several months. For the local economy, the Chicago region is also expected to take a short breath. Chicago’s continued relative job loss compared with the nation as a whole suggests that the region’s economy really requires more job creation to fully share the benefit from the national expansion. In particular, job growth in Chicago has slowed over the last three months.
The Chicago Business Activity Index (CBAI) is a monthly statistic that measures the changes in the business cycle status of the six-county Chicago region. The CBAI leads the local business cycle by three-to-four months. REAL’s approach to constructing this index, using the principle components regression method, directs attention to the relationship between local and national business cycle.

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