CBAI increased in July

The Chicago Business Activity Index (CBAI) was 0.05 in July, the eighth consecutive positive reading since December 2004. This was mainly attributed to the increase of construction and retail sales. 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. The CBAI prediction also indicates growth over the next 12 months.

In July, the national economy presented several favorable features. The coincident index of the Conference Board increased 0.1 percent. Retail sales and non-manufacturing employment were up 1.9 percent and 0.2 percent, respectively. However, manufacturing employment decreased slightly.

The economic performance in Chicago showed several positive features in July. Construction and retail sales rose 1.8 percent and 0.7 percent, respectively, while manufacturing employment and the Chicago Fed Midwest manufacturing production increased 0.3 percent and 0.2 percent, respectively.

The leading index of the Conference Board increased 0.1 percent in July, and its consumer confidence index in August rose to 105.6 from 103.6. However, in spite of these rosy prospects with healthy job gains (167,000) in August, the national economy and regional economy are expected to experience a slowing of the economic expansion as a result of the impacts of Hurricane Katrina. For the local economy, the energy price hike will be another burden for the Chicago region to handle and may dampen this month’s favorable momentum for continued expansion.
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.

For more information please contact:  
Sang Gyoo Yoon, Research Associate  
T. 217/244-7226; sangyoon@uiuc.edu  
University of Illinois  
220 Davenport Hall, 607 S. Mathews Ave.  
Urbana, IL 61801-3671, www.uiuc.edu/unit/real