

**CHICAGO BUSINESS ACTIVITY INDEX**

**CBAI fell slightly in August**

The Chicago Business Activity Index (CBAI) was -0.005 in August. This was mainly attributed to the decrease of retail sales and manufacturing employment. Considering that the CBAI leads the local business cycle and negative values of this index are associated with below-trend growth, the Chicago economy will likely experience little or at best modest growth over the next several months. However, looking further out, the CBAI indicates that the regional economy will rebound after its taking a short pause. The anticipated impacts of Hurricanes Katrina and Rita have yet to filter their way into major indices.

In August, the national economy presented a mixed feature. The coincident index of the Conference Board increased 0.2 percent. Construction and non-manufacturing employment were up 9.2 percent and 0.2 percent, respectively. However, retail sales and manufacturing employment decreased 2.3 percent and 0.1 percent, respectively.

The economic performance in Chicago also showed a mixed feature in August. Construction, Chicago Fed Midwest manufacturing production and non-manufacturing employment rose 12.3 percent, 0.3 percent and 0.1 percent, respectively. However, retail sales and manufacturing employment decreased 1.6 percent and 0.4 percent, respectively.

Both the national economy and the local economy presented evidence of a temporary slowdown. The leading index of the Conference Board decreased 0.2 percent in August and its consumer confidence index in September plummeted to the lowest level in nearly two years (86.6) from 105.5. Further, the U.S. economy lost 35,000 jobs in September for the first time in over two years, even though the magnitude was smaller than feared despite fallout from hurricanes Katrina and Rita. For the local economy, Chicago's relative employment loss compared with the nation as a whole in August generates concern as to whether the stronger employment growth rates observed earlier in the year will return.

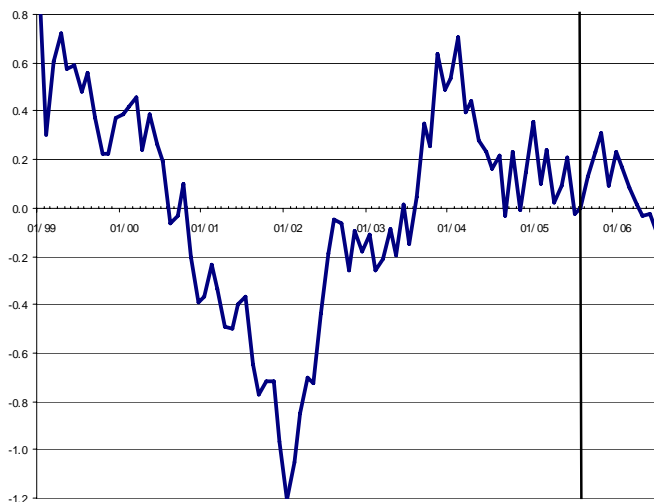
**Chicago Business Activity Index**

*Release Date:*  
October 14, 2005

*Next Release Date:*  
November 15, 2005

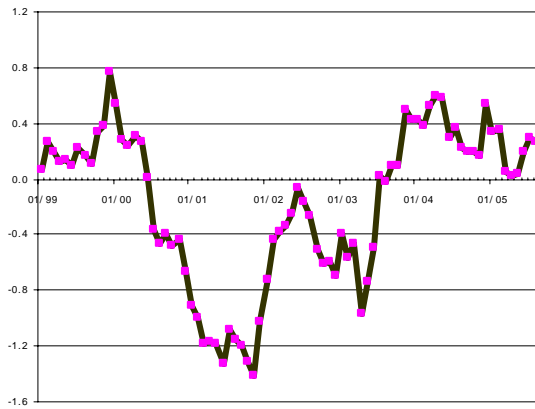
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<b>CBAI</b> (Current: -0.005)			
	1 month	3 month	1 year
Historical (ago)	-0.022	0.095	0.216
Forecast (ahead)	0.134	0.312	-0.051

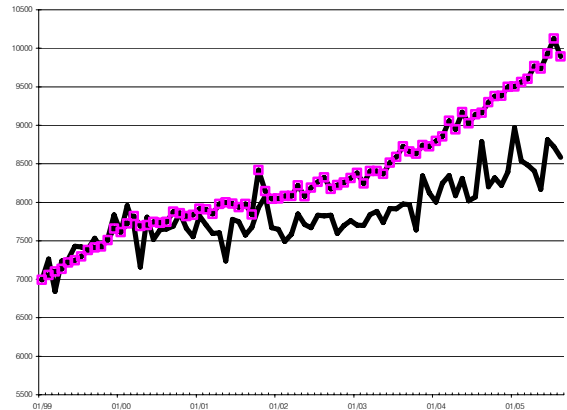


# Chicago Business Activity Index

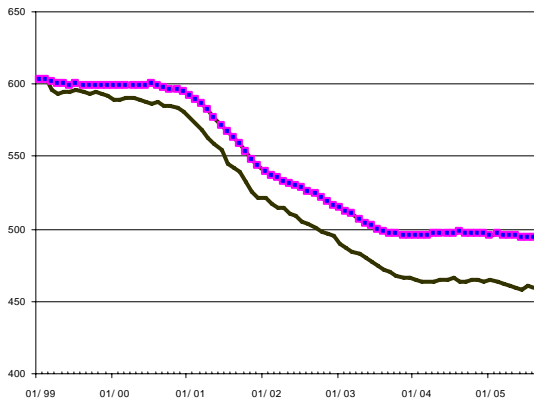
Chicago Fed National Activity Index (CFNAI-M A3)



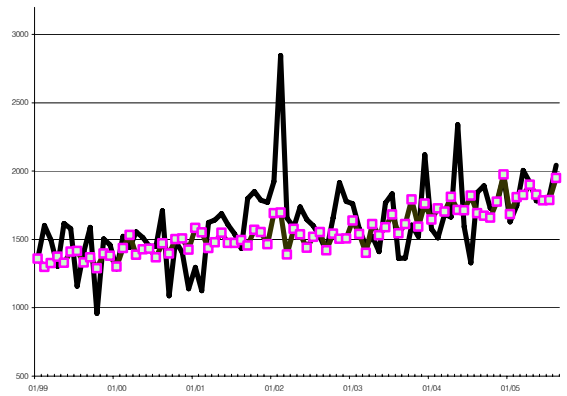
Chicago & National Retail Sales



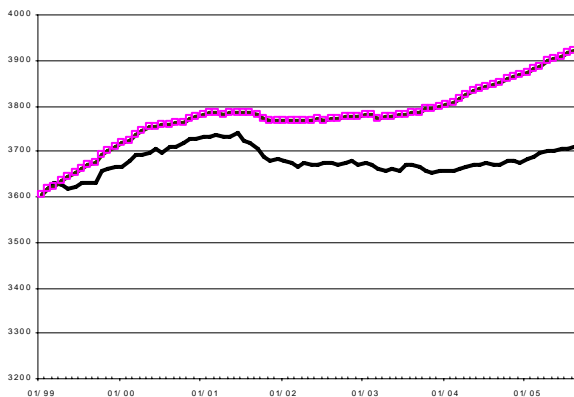
Chicago & National Manufacturing Employment



Illinois & National Construction



Chicago & National Non-manufacturing Employment



\* Black lines show Chicago indicators.  
National indicators are rescaled for comparison.

## Economic Activity: Summary

Percentage change compared to the previous period

Months ago	National			Chicago		
	12	3	1	12	3	1
Mfgn	-0.77	-0.31	-0.10	-1.10	-0.22	-0.43
NMfgn	2.01	0.53	0.15	1.02	0.17	0.06
Cons	15.37	6.72	9.16	10.85	14.62	12.31
Retail	7.99	1.62	-2.32	-2.31	5.08	-1.58

Note: All series are seasonally adjusted.

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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