CBAI increased in December 2005

The Chicago Business Activity Index (CBAI) was 0.104 in December 2005, the fifth consecutive positive reading since August 2005. This was mainly attributed to the increase of 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 will continue to grow. The CBAI prediction also indicates growth over the next 12 months will be slightly higher than last 12 months.

In December, the national economy presented several good features. The coincident index of the Conference Board increased 0.2 percent. Retail sales and non-manufacturing employment rose 0.7 percent and 0.1 percent, respectively. However, construction decreased 0.4 percent.

The economic performance in Chicago showed mixed features in December. Construction increased 1.4 percent. However, construction and manufacturing employment decreased 1.0 percent and 0.3 percent, respectively.

The national economy and regional economy are expected to continue on an economic expansion. The leading index of the Conference Board increased 0.1 percent in December and its consumer confidence index in January 2006 rose to 106.3, the highest level since August 2001, up from 103.8, signaling strong first-quarter consumption of 2006. Further, the national economy created 193,000 jobs in January 2006. For the local economy, considering the favorable national economic conditions, the Chicago region is also expected to continue on an expansion trend. However, Chicago’s relatively weak economic performance compared with the nation as a whole in December and slower US GDP growth of last fourth quarter generate concern as to whether the Chicago region will maintain the 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.

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