CBAI increased in January

The Chicago Business Activity Index (CBAI) was 0.253 in January, the sixth consecutive positive reading since August 2005. This was mainly attributed to the increase of construction 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 will continue to grow. The CBAI prediction also indicates growth over the next 12 months will be higher than the last 12 months.

In January, the national economy presented several favorable features. The coincident index of the Conference Board increased 0.2 percent. Retail sales, non-manufacturing employment and manufacturing employment rose 2.3 percent, 0.2 percent and 0.1 percent, respectively. However, construction decreased 5.7 percent.

The economic performance in Chicago showed also several favorable features in January. Construction, manufacturing production and non-manufacturing employment increased 2.0 percent, 0.7 percent and 0.2 percent, respectively. However, retail sales decreased 2.9 percent.

The national economy and regional economy are expected to continue on an economic expansion. Even though the consumer confidence index of the Conference Board in February dropped to 101.7 from 106.8, the highest level since May 2002, its leading index increased 1.1 percent in January and the national economy created 243,000 jobs in February. For the local economy, considering the favorable national economic conditions, the Chicago region is also expected to continue on an expansion trend. However, the slower business growth in the Midwest (the National Association of Purchasing Management-Chicago business barometer), which fell to 54.9 from 58.5 in February, generate concern as to whether the Chicago region will fully share the benefits from the continued national 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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