CBAI increased in August

The Chicago Business Activity Index (CBAI) was 0.278 in August, the thirteenth consecutive positive reading since August 2005. This was mainly attributed to the increase of construction and non-manufacturing employment. 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. However, The CBAI prediction suggests that the Chicago economy will grow more moderately over the next 12 months.

In August, the national economy presented some bright features. Construction, retail sales, and non-manufacturing employment increased 0.4 percent, 0.2 percent, and 0.2 percent, respectively, while manufacturing employment decreased 0.1 percent. The coincident index of the Conference Board continued its increasing trend since September 2005, but its growth moderated to 0.1 percent increase in August.

The economic performance in Chicago showed mixed features in August. Construction and non-manufacturing employment increased 1.9 percent and 0.1 percent, respectively. However, manufacturing employment and retail sales decreased 0.7 percent and 0.2 percent, respectively, with a loss in the Chicago Fed Midwest Manufacturing Index (0.6 percent).

The national economy and regional economy are expected to continue to grow at a slower but steady pace in the near term. For the national economy, the leading index of the Conference Board dropped by 0.2 percent. In addition, the national economy only created 51,000 jobs in September, which is the smallest gain since October 2005. For the local economy, the CBAI index suggests that economic growth will be near its historical trend over the coming year, in large part because of the increasing signs of weakness in the nation’s economic performance. However, the recent drop in gasoline prices could make a positive contribution to spur the economic performance of both the national and local economy.
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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