CBAI increased in September

The Chicago Business Activity Index (CBAI) was 0.167 in September, the fourteenth consecutive positive reading since August 2005. This was mainly attributed to the increase of retail sales and construction. Considering that the CBAI leads the local business cycle and positive values of this index are associated with above-trend growth, the Chicago economy seems to continue on a normal growth expansion. However, the CBAI prediction suggests that the Chicago economy seems to be losing momentum for the expansion to continue over the next 12 months.

In September, the national economy presented some negative features. Construction and retail sales decreased 1.2 percent and 1.0 percent, respectively, while the overall employment held constant. Further, the coincident index of the Conference Board stopped increasing trend since mid 2005 in September.

The economic performance in Chicago showed a mixed feature in September. Retail sales and construction increased 1.7 percent and 1.2 percent, respectively. However, the Chicago Fed Midwest Manufacturing Index and manufacturing employment decreased 1.1 percent and 0.1 percent, respectively.

The national economy and regional economy are expected to continue to grow at a slow pace, but raising the possibility that adjustments to the current slowing can trigger a recession in the future. For the national economy, despite the increase (0.1 percent) in September, the leading index of the Conference Board fell by 0.9 percent during the six-month span through September. In addition, real GDP growth slowed to the weakest pace in more than three years in the third quarter. For the local economy, the CBAI index suggests that economic growth will be below its historical trend over the coming year, in large part because of the increasing signs of weakness in the nation’s economic performance. However, both the national and local economy could bounce back after recent slowdown, especially with the recent decline in energy prices.

Chicago Business Activity Index

Release Date: November 28, 2006

Next Release Date: December 15, 2006

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CHICAGO BUSINESS ACTIVITY INDEX
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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