

**CHICAGO BUSINESS ACTIVITY INDEX**

**CBAI fell in May**

The Chicago Business Activity Index (CBAI) was -0.323 in May, the eighth consecutive negative reading since October 2006. This was mainly attributed to the weak performance of the national economy and to the decrease of retail sales. Considering that the CBAI leads the local business cycle and negative values of this index are associated with below-trend growth, the Chicago economy likely continues to be on a downward trend. The CBAI prediction also suggests that the Chicago economy will remain weak over the next 12 months.

In May, the national economy presented mixed features. The retail sales increased 1.61 percent and the coincident index of the Conference Board increased 0.2 percent. However, the Chicago Fed National Activity Index was -0.22, up from -0.30 in April.

The economic performance in Chicago also presented mixed features in May. The construction increased 0.70%. However, the Chicago Fed Midwest manufacturing index inched down 0.2 percent and the retail sales decreased 0.54 percent.

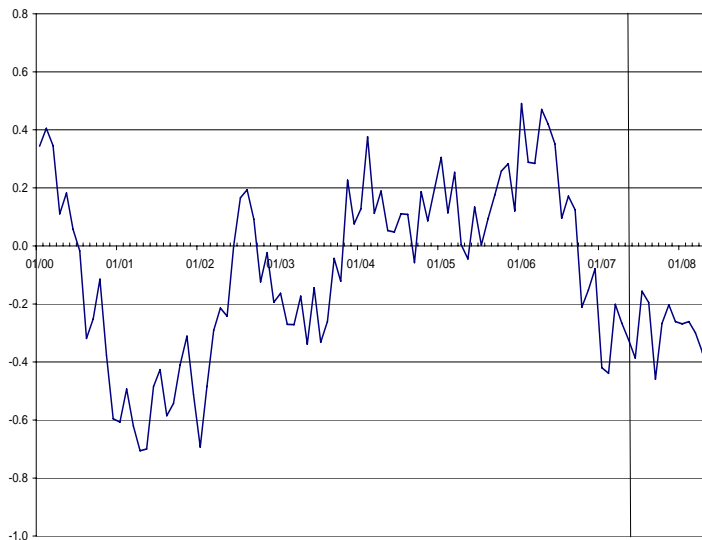
The national economy and regional economy seem to remain on a slower economic growth trend. For the national economy, in June, the Federal Open Market Committee decided to keep its target for the federal funds rate at 5.25 percent despite the moderate performance of the economy. The index of consumer expectations surveyed by University of Michigan, was also lowered to 74.7 in June from 77.6 in May. For the local economy, the CBAI index suggests that economic growth will be below its historical trend, in large part because of the slowing national economic activity.

*Release Date:*  
July 18, 2007

*Next Release Date:*  
August 15, 2007

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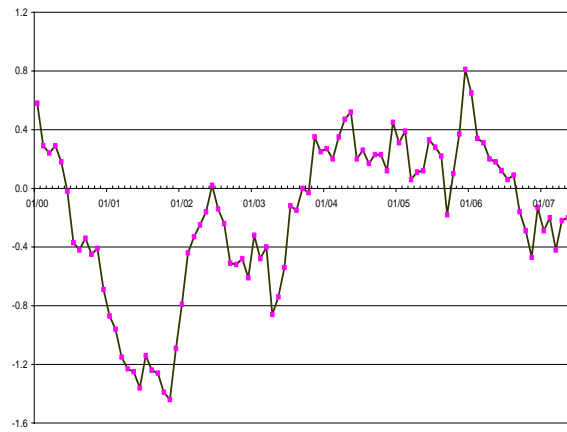
**Chicago Business Activity Index**



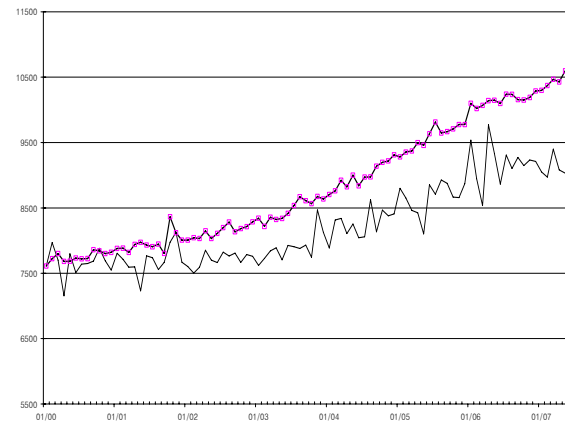
<b>CBAI</b> (Current: -0.323)			
	1 month	3 month	1 year
Historical (ago)	-0.266	-0.439	0.419
Forecast (ahead)	-0.386	-0.196	-0.464

# Chicago Business Activity Index

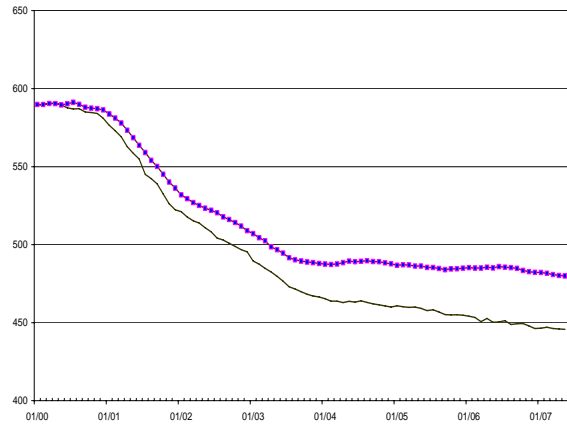
Chicago Fed National Activity Index (CFNAI-MA3)



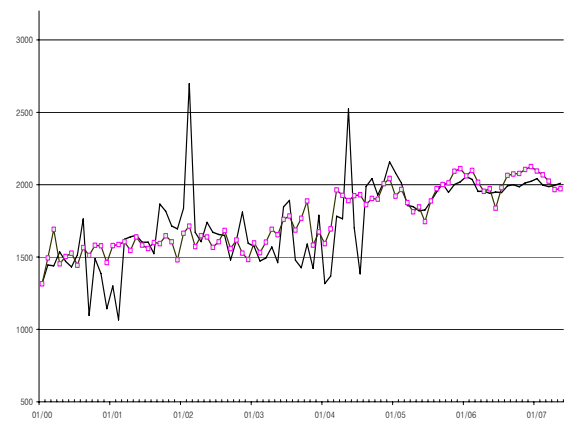
Chicago & National Retail Sales



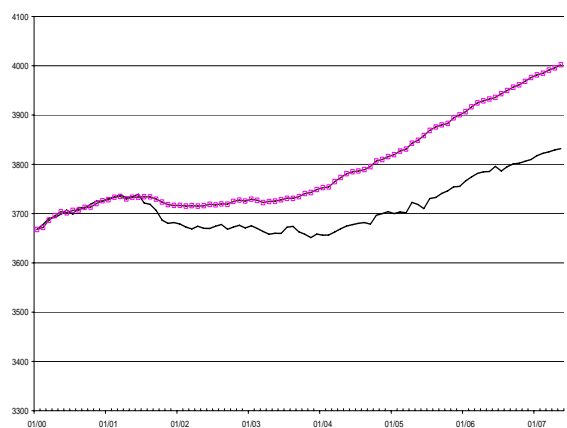
Chicago & National Manufacturing Employment



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	-1.06	-0.34	-0.05	-1.01	-0.30	-0.05
NMfgn	1.77	0.43	0.16	1.23	0.24	0.06
Cons	-0.01	-4.66	0.27	3.54	0.61	0.70
Retail	4.41	2.15	1.61	-3.21	0.69	-0.54

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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For more information please contact:  
Donghun Joo, Research Assistant  
T. 217/244-7226; djoo2@uiuc.edu

University of Illinois  
220 Davenport Hall, 607 S. Mathews Ave.  
Urbana, IL 61801-3671, www.real.uiuc.edu