CBAI fell in July

The Chicago Business Activity Index (CBAI) was -0.032 in July, the tenth consecutive negative reading since October 2006. This was mainly attributed to the negative contribution from the consumption although the overall employment made a positive contribution. Considering that the CBAI leads the local business cycle and negative values of this index are associated with below-trend growth, the Chicago economy will experience below trend growth over the next 12 months.

In July, the national economy presented mixed features. Retail sales increased 0.47 percent and the Federal Reserve Board’s industrial production index for manufacturing (IPMFG) was up 0.5 percent. However, the Chicago Fed National Activity Index (CFNAI) was -0.1, down from +0.60 in June as a result of the negative contributions in the employment category. The economic performance in Chicago also presented mixed features in July. The manufacturing production increased 0.28 percent. However, construction and the retail sales decreased 0.17 percent and 1.01 percent respectively.

The national economy and regional economy seem to continue on a slower economic growth trend. For the national economy, consumer confidence surveyed by the University of Michigan plunged due to higher food and fuel prices as well as declining home prices and the turmoil in the financial markets. The Indices of Consumer Sentiment and Consumer Expectations were 83.4 and 73.7 in August, down from 90.4 and 81.5 in July, respectively. 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.
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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