

**CHICAGO BUSINESS ACTIVITY INDEX**

**CBAI fell in December 2006**

The Chicago Business Activity Index (CBAI) was -0.191 in December 2006, the third consecutive negative reading since October 2006. This was mainly attributed to the decrease of construction and 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 seems to be on a downward trend. The CBAI prediction also suggests the further decline in the growth of economic activities over the next 12 months.

In December, the national economy showed mixed features. Construction and manufacturing employment continued their downward trends by decreasing 2.5 percent and 0.1 percent, respectively, reflecting a slump in the housing market and a slowdown in manufacturing activity. However, retail sales and non-manufacturing employment increased 0.7 percent and 0.2 percent, respectively.

The economic performance in Chicago presented mixed features in December. Both construction and retail sales decreased 0.4 percent. However, the Chicago Fed Midwest Manufacturing Index increased 0.6 percent, with a slight gain in employment for both manufacturing and non-manufacturing.

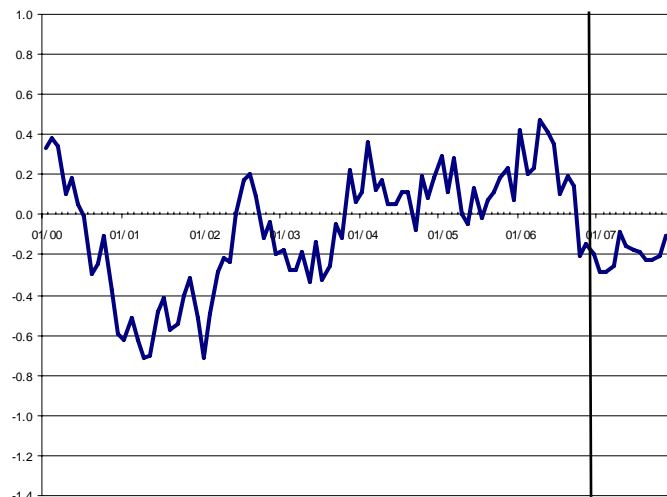
The national economy and regional economy seem to continue on a slower economic growth trend. However, for the national economy, the strengths among the main economic indicators have been widespread in recent months. The leading index of the Conference Board increased 0.3 percent in December, and Consumer Sentiment of University of Michigan Surveys of Consumers rose in January to its highest in two years on favorable expectations for the national economy. For the local economy, overall assessment of current conditions are relatively worse compared with the nation. The Chicago Business Barometer of the National Association of Purchasing Management-Chicago fell below neutral, ending 43 months of positive reading.

**Chicago Business Activity Index**

*Release Date:*  
February 16, 2007

*Next Release Date:*  
March 15, 2007

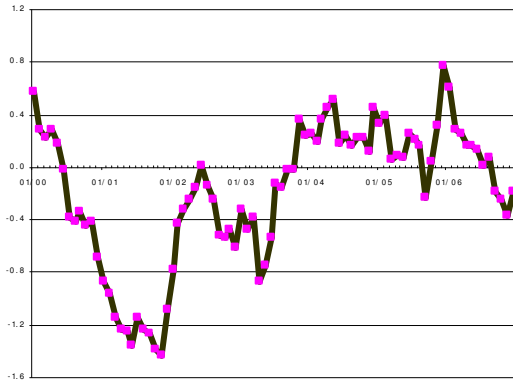
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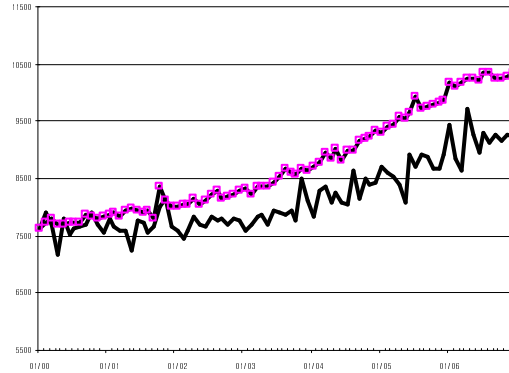
<b>CBAI</b> (Current: -0.191)			
	1 month	3 month	1 year
Historical (ago)	-0.149	0.140	0.078
Forecast (ahead)	-0.283	-0.255	-0.092

# Chicago Business Activity Index

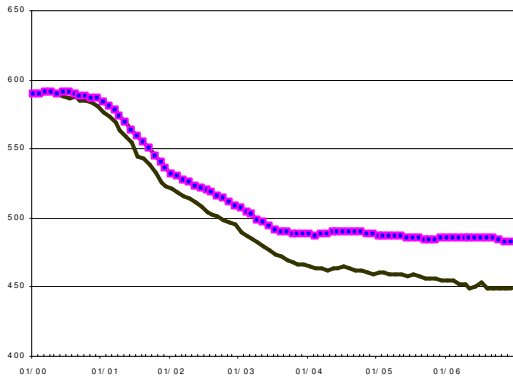
Chicago Fed National Activity Index (CFNAI-MA3)



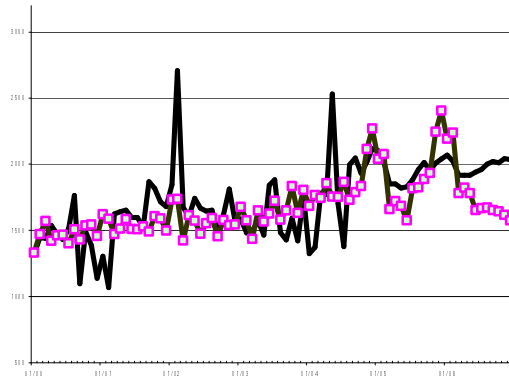
Chicago & National Retail Sales



Chicago & National Manufacturing Employment

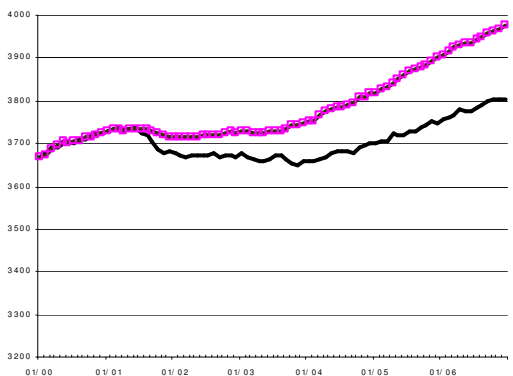


Illinois & National Construction



\* Black lines show Chicago indicators.  
National indicators are rescaled for comparison.

Chicago & National Non-manufacturing Employment



## Economic Activity: Summary

Percentage change compared to the previous period

Months ago	National			Chicago		
	12	3	1	12	3	1
Mfgn	-0.59	-0.57	-0.13	-1.35	-0.10	0.01
NMfgn	1.93	0.48	0.18	1.53	0.23	0.07
Cons	-34.47	-4.71	-2.51	-0.31	0.62	-0.39
Retail	4.93	1.03	0.72	3.73	-0.50	-0.35

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.

REGIONAL | ECONOMICS | APPLICATIONS | LABORATORY

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