CBAI fell in January

The Chicago Business Activity Index (CBAI) was -0.386 in January, the fourth consecutive negative reading since October 2006. This was mainly attributed to the decrease of manufacturing production, and to the weak national economic performance. 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 continue on a downward trend. The CBAI prediction also suggests the Chicago economy likely remains weak over the next 12 months.

In January, the national economy showed mixed features. The Chicago Fed National Activity Index was -0.74, down from 0.36 in December 2006. And, the construction decreased 9.3 percent, reflecting the ongoing slump in the housing market. However, the coincident index of the Conference Board rose to 110.3 from 110.0 in December 2006.

The economic performance in Chicago presented mixed features in January. The Chicago Fed Midwest Manufacturing Index fell 2.3 percent. However, both retail sales and construction increased 0.6 percent.

The national economy and regional economy seem to continue on a slower economic growth trend. For the national economy, the economic activity does not seem to be strong enough to take a recovery path yet. The gross domestic product grew at a much slower pace (2.2 percent) in the fourth quarter than previously estimated (3.5 percent). And Consumer Sentiment of University of Michigan Surveys of Consumers fell in February (96.9 → 91.3), hitting a five-month low as concerns over incomes and jobs in a slowing economy. For the local economy, the CBAI index suggests that economic growth will be below its historical trend, in large part because of the rising concerns about the outlook for the national economy.

**Release Date:**
**March 30, 2007**

**Next Release Date:**
**April 15, 2007**

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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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