CHICAGO BUSINESS ACTIVITY INDEX

CBAI fell in May

The Chicago Business Activity Index (CBAI) was 61.7 in May, the tenth consecutive below the long-term trend reading since August 2007. This was mainly attributed to the weak national economy and the decrease in household consumption. Considering that the CBAI leads the local business cycle and the values of this index under 100 are associated with below-trend growth, the Chicago economy will experience below trend growth over the next 12 months.

In May, the national economy showed weak features. The Bureau of Labor Statistics (BLS) of the U.S. Department of Labor reported that the unemployment rate soared to 5.5 percent in May from 5.0 percent in April, with a net loss of 49,000 jobs in a month. The Chicago Fed National Activity Index (CFNAI) was -0.96 in May, up from -1.23 in April. The economic performance in Chicago also presented weak features. Consumption decreased by 1.56 percent and the Chicago Fed Midwest Manufacturing Index (CFMMI) decreased 0.8 percent in May.

The national economy and regional economy seem to continue on a slower economic growth trend. For the national economy, the Consumer Price Index announced by BLS increased 1.1 percent in June, the fastest pace since September 2005. The recent Fannie Mae and Freddie Mac crisis shows that the strains in the financial market caused by sub prime mortgage problems are continuing. Consumer confidence also fell to near its fifty year low due to soaring prices and mounting job losses. 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.

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Next Release Date: August 15, 2008
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<th>CBAI  (Current: 61.7)</th>
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<tr>
<td>1 month 3 month 1 year</td>
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<tr>
<td>Historical (ago) 69.9 79.1 90.9</td>
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<td>Forecast (ahead) 61.9 60.8 67.6</td>
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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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