CBAI fell in August

The Chicago Business Activity Index (CBAI) was 61.8 in August, down from 65.2 in July. This was mainly attributed to the weak national economy and the negative contribution of construction and employment. 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 August, the national economy showed weak features. The Chicago Fed National Activity Index (CFNAI) was -1.59 in August, reaching its lowest level since 2001. The Federal Reserve Board’s industrial production index declined 1.1 percent and the manufacturing production index declined 1.0 percent in August. The unemployment rate, announced by department of labor, rose from 5.7 to 6.1 percent in August. The economic performance in Chicago also presented weak features. The Chicago Fed Midwest Manufacturing Index (CFMMI) declined 2.6 percent and the construction dropped by 0.22 percent. The manufacturing and non-manufacturing employment decreased by 0.24 percent and 0.07 percent respectively in August.

The national economy and regional economy seem to continue on a slower economic growth trend. For the national economy, a high degree of uncertainty surrounds future economic developments, largely due to financial market turmoil. For the local economy, the CBAI index suggests that the regional economic growth will be below its historical trend, in large part because of the sluggish 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 principal components regression method, directs attention to the relationship between local and national business cycle.

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