

CHICAGO BUSINESS ACTIVITY INDEX

CBAI fell in September

The Chicago Business Activity Index (CBAI) was 57.5 in September, down from 61.5 in August. This was mainly attributed to the weak national economy and the negative contribution of manufacturing and construction activities. 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 September, the national economy weakened further. While the coincident index of the Conference Board decreased 0.5 percent in September, the Chicago Fed National Activity Index (CFNAI) declined to -2.57 in September from -1.61 in the previous month. The Federal Reserve Board’s industrial production index declined 2.8 percent, and the retail sector dropped by 1.23 percent in September. The economy in Chicago also showed sluggish performance in September. The Chicago Fed Midwest Manufacturing Index (CFMMI) declined 2.6 percent, while the manufacturing and construction employment dropped by 0.38 percent and 0.74 percent respectively in September.

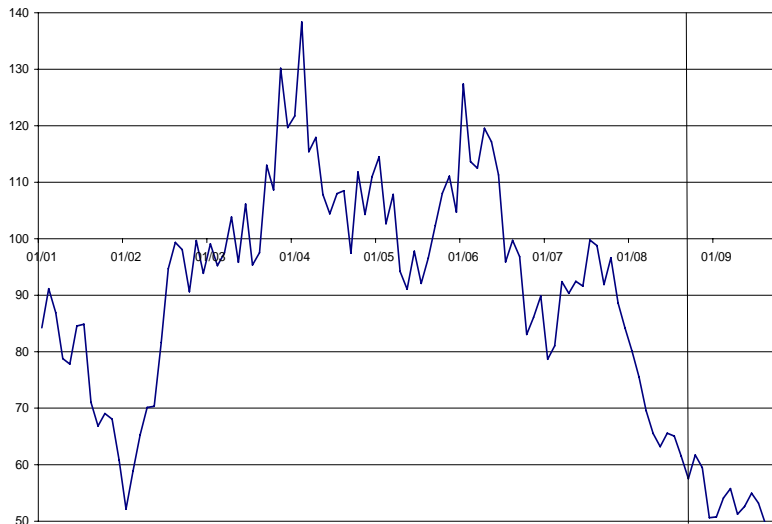
The national economy and regional economy seem to continue on a slower economic growth trend. For the national economy, a high degree of uncertainty surrounds the future economic path, largely due to weakened functioning of the financial intermediaries and deteriorating consumer confidence. According to the Federal Reserve’s “Senior Loan Officer Opinion Survey on Bank Lending Practices-October 2008”, about 85 percent of domestic banks—up substantially from 60 percent in the July survey—reported having tightened lending standards on commercial and industrial loans to large and middle-market firms over the past three months. The Conference Board Consumer Confidence Index fell to 38.0 in October, which is an all-time low level. 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.

Chicago Business Activity Index

Release Date:
November 17, 2008

Next Release Date:
December 15, 2008

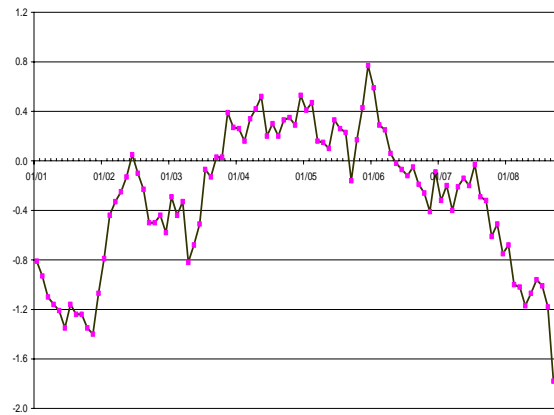
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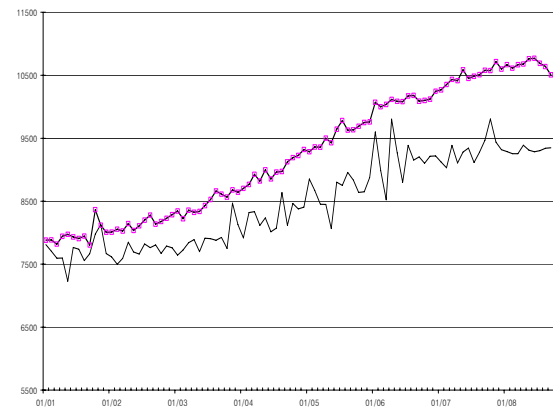
CBAI (Current: 57.5)	1 month 3 month 1 year		
	Historical (ago)	61.5	65.6
Forecast (ahead)	61.7	50.6	49.1

Chicago Business Activity Index

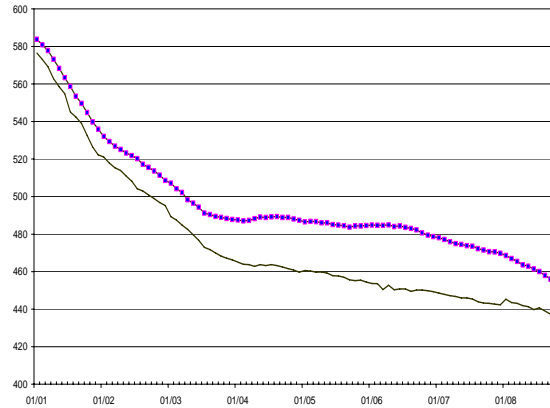
Chicago Fed National Activity Index (CFNAI-MA3)



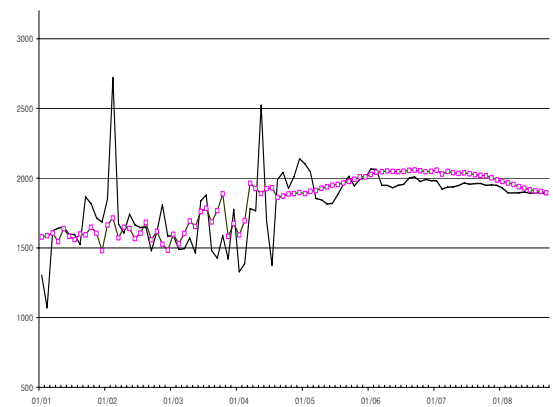
Chicago & National Retail Sales



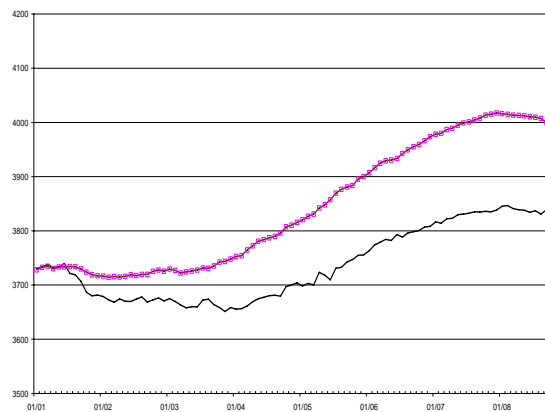
Chicago & National Manufacturing Employment



Illinois & National Construction



Chicago & National Non-manufacturing Employment



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

Economic Activity: Summary

Percentage change compared to the previous period

Months ago	National			Chicago		
	12	3	1	12	3	1
Mfgn	-3.27	-1.16	-0.42	-1.34	-0.55	-0.38
NMfgn	-0.20	-0.26	-0.18	0.11	0.13	0.21
Cons	-6.21	-1.08	-0.49	-4.03	-0.52	-0.74
Retail	-0.69	-2.44	-1.23	-1.24	0.69	0.07

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 principal components regression method, directs attention to the relationship between local and national business cycle.

REGIONAL | ECONOMICS | APPLICATIONS | LABORATORY

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