The Chicago Business Activity Index (CBAI) was 35.9 in December 2008, notably down from 45.5 in November. This was mainly attributed to the weak national economy and the negative contribution of production and construction activities. The current recession has driven the index to levels well below those observed in the 2000-2001 downturn. The forecasts for the next twelve months suggest little signs of any imminent recovery.

In December 2008, the national economy showed weak features, compared to the previous month. The Federal Reserve Board’s industrial production index dropped 2.0 percent in December and capacity utilization for total industry fell to 73.6 percent in December, a level 7.4 percentage points below its average level from 1972 to 2007. The Chicago Fed National Activity Index (CFNAI) was \(-3.26\) in December, down from \(-2.78\) in November. The economic performance in the Chicago region also presented weak features. Manufacturing, non-manufacturing and construction employment in the Chicago region decreased 0.6 percent, 0.4 percent and 6.4 percent respectively. The Chicago Fed Midwest Manufacturing Index (CFMMI) declined 3.6 percent in December and a decline was again widespread.

The national economy and regional economy are expected to continue on a significant contraction path. For the national economy, consumer confidence is deteriorating more rapidly than anticipated. The Conference Board’s consumer confidence index decreased to 37.7 in January this year, continuing to be at an historic low (Index began in 1967). For the local economy, considering that the CBAI leads the local business cycle and the values of this index under 100 are associated with below-trend growth, Chicago economy is expected to contract at a more rapid pace over the next 12 months.
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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