CBAI fell in January

The Chicago Business Activity Index (CBAI) was 29.8 in January, down from 33.8 in December 2008. This was mainly attributed to the weak national economy and the negative contribution of construction and manufacturing activities. The index continued to be at an historic low (Index began in 1996) for five consecutive months. The forecasts for the next twelve months suggest little signs of any imminent recovery.

In January, the national and regional economy continued its downturn in terms of production and employment. The Federal Reserve Board’s industrial production index dropped 1.9 percent and capacity utilization for total industry fell to 71.9 percent in January. The unemployment rate continued to trend upward in January: the unemployment rate was 7.6 percent in January, up from 7.2 percent in December 2008. The Chicago Fed Midwest Manufacturing Index (CFMMI) declined 5.9 percent in January. The Chicago Fed reported that the output in the Midwest region in January was down 21.8 percent from a year earlier—much greater than the 13.0 percent decrease in national output. Manufacturing and construction employment in the Chicago region decreased 0.39 percent and 4.89 percent respectively in January.

Looking further ahead, the national economy is likely to remain in recession due to a persistent contraction of domestic demand. According to Census Bureau’s survey report on manufacturers’ shipments, inventories and new orders, new orders for manufactured goods in January, down for six consecutive months, decreased $6.9 billion or 1.9 percent to $351.9 billion. 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.

Release Date: March 23, 2009
Next Release Date: April 15, 2009
Visit our web-site at www.real.uiuc.edu
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.

For more information please contact:
Tae-Jeong Kim, Research Assistant  
University of Illinois  
T. 217/244-7226; tkim35@illinois.edu  
Urbana, IL 61801-3671, www.real.uiuc.edu