CBAI increased in September

The Chicago Business Activity Index (CBAI) was 58.3 in September, up from 49.4 in August. The recent movement of the index exhibits a favorable sign that the region is continuing to show improvement but is still well below the long-term trend.

In September the national and regional economy showed mixed features. The Chicago Fed National Activity Index was −0.63 in September, up from −0.96 in the previous month. The Federal Reserve Board’s industrial production index rose for the third straight month: it increased 0.7 percent in September, following an increase of 1.2 percent in August. Nevertheless, the unemployment rate rose from 9.7 to 9.8 percent in September, and nonfarm payroll employment continued to decline (-219,000). The Chicago Fed Midwest Manufacturing Index (CFMMI) continued to increase: it increased 1.0 percent in September, after increasing 1.6 percent in August. In the Chicago region, employment situation continued to deteriorate: construction employment declined by 1.23 percent while manufacturing and non-manufacturing employment decreased 0.7 percent and 0.2 percent respectively in September.

The downside risk to economic growth has been mitigated by the proactive fiscal and monetary policy initiatives. The Bureau of Economic Analysis announced that the national GDP grew at 3.5 percent in the third quarter, ending a string of declines over last four quarters. The economic growth in the third quarter reflected the sharp increase of consumer spending, induced significantly by irregular factors such as government’s introduction of Car Allowance Rebate System (CARS). For the economy to gain the self-sustainable growth in coming months, it is crucial to counter the more risk-adverse economic viewpoint currently dominating both private sector firms and households. For the local economy, the CBAI still continued to be far below the long-term trend, suggesting that it would take considerable time for the regional economy to gain the momentum of sustainable growth.

Chicago Business Activity Index

Release Date:
November 20, 2009

Next Release Date:
December 18, 2009

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<table>
<thead>
<tr>
<th>CBAI (Current: 58.3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 month</td>
</tr>
<tr>
<td>Historical (ago)</td>
</tr>
<tr>
<td>Forecast (ahead)</td>
</tr>
</tbody>
</table>
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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