CBAI decreased in August

The Chicago Business Activity Index (CBAI) declined to 80.1 in August from 87.3 in the previous month. The fall is attributed mainly to the decrease in employment of manufacturing and construction in the Chicago region and weak national economic activities in major sectors such as manufacturing.

In August, the national and regional economy presented several negative features. The Federal Reserve Board announced that the growth rate of total industrial (manufacturing) production recorded -1.2% (-0.7%) in August after having shown +0.5% (+0.4%) in July. Capacity utilization in total industry (manufacturing) decreased to 78.2% (77.0%) in August from 79.2% (77.7%) in July. The Chicago Fed reported that the Chicago Fed National Activity Index (CFNAI) decreased to -0.87 in August from -0.12 in July due to a negative contribution of all four broad categories; 1. production and income, 2. employment, 3. consumption and housing, and 4. sales, orders, and inventories. In the Chicago region, manufacturing output, measured by the Chicago Fed Midwest Manufacturing Index (CFMMI), decreased 1.2% in August and was mainly attributed by a fall in auto and steel production. Employment in manufacturing and construction decreased 0.55% and 0.54% while employment in nonmanufacturing rose 0.16% and retail sales are estimated to have risen 0.65% in July.

In the coming months, the national economy is likely to continue to show mixed signals about the economic recovery. The CFNAI-MA3 suggests that growth in national economic activity was below its historical trend. The Bureau of Labor Statistics reported total nonfarm payroll employment rose by 114,000, and the unemployment rate fell to 7.8% in September. Considering recent national economic conditions and movements of projected CBAI, the Chicago economy is expected to continue its weak economic activities over the next several 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.

For more information please contact:
Kijin Kim, Research Assistant
T. 217/244-7226; kkim96@illinois.edu
University of Illinois
220 Davenport Hall, 607 S. Mathews Ave.
Urbana, IL 61801-3671, www.real.illinois.edu