

**CHICAGO BUSINESS ACTIVITY INDEX**

**CBAI increased in July**

The Chicago Business Activity Index (CBAI) was 0.130 in July, the twelfth consecutive positive reading since August 2005. This was mainly attributed to the increase of retail sales and strong employment performance. Considering that the CBAI leads the local business cycle and positive values of this index are associated with above-trend growth, the Chicago economy will continue to grow. However, The CBAI prediction suggests that the Chicago economy will grow more moderately over the next 12 months.

In July, the national economy presented mixed features. Retail sales and construction increased 1.5 percent and 0.7 percent, respectively, while manufacturing employment decreased 0.2 percent. The coincident index of the Conference Board increased again in July, but its growth moderated slightly in recent months.

The economic performance in Chicago showed relatively favorable features in July. Manufacturing employment and non-manufacturing employment increased 0.3 percent and 0.2 percent, respectively, which had dropped over the last two months. In addition, retail sales and construction increased 3.0 percent and 0.7 percent, respectively, with positive gains in the Chicago Fed Midwest manufacturing production (0.6 percent).

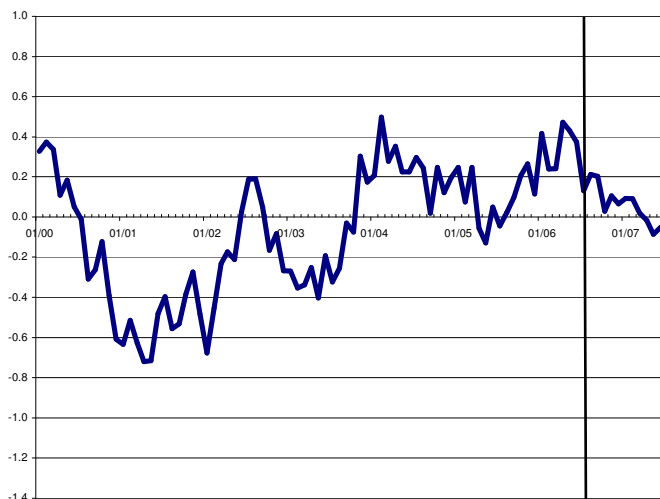
The national economy and regional economy are expected to show relatively weak economic growth. The outlook for the national economy is less favorable. The leading index of the Conference Board decreased 0.1 percent and its consumer confidence index posted a sharp decline (107.0 → 99.6). In addition, the national economy only created 113,000 jobs in July, the fifth straight month of slow job growth. For the local economy, even though the overall assessment of current conditions are relatively favorable compared with the nation, the CBAI index suggests that economic growth will be slightly below its historical trend, in large part because of the increased concern about the outlook for the nation's economic performance.

**Chicago Business Activity Index**

*Release Date:*  
September 15, 2006

*Next Release Date:*  
October 15, 2006

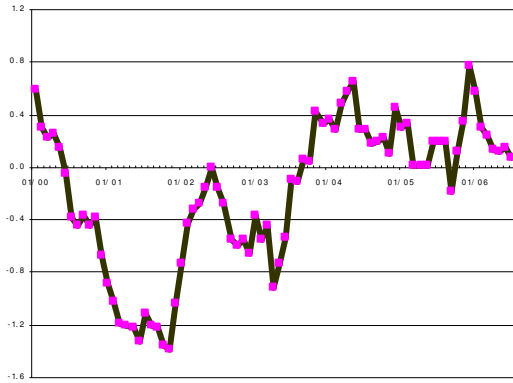
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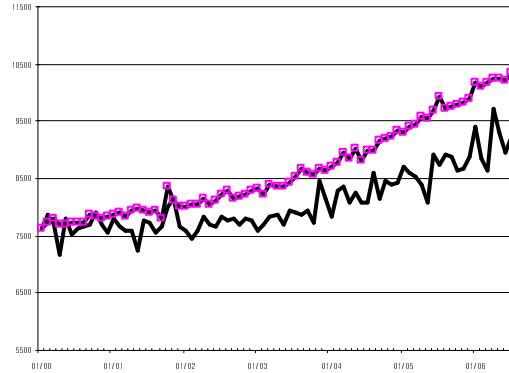
<b>CBAI</b> (Current: 0.130)			
	1 month	3 month	1 year
Historical (ago)	0.373	0.473	-0.044
Forecast (ahead)	0.211	0.029	-0.095

# Chicago Business Activity Index

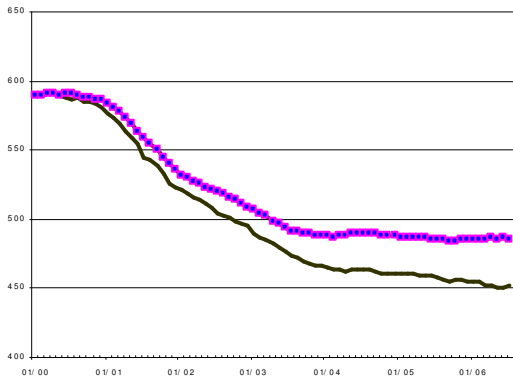
Chicago Fed National Activity Index (CFNAI-MA3)



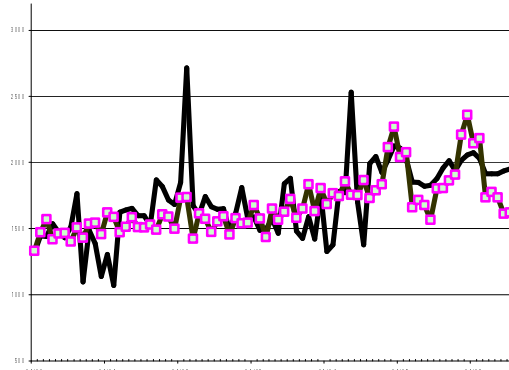
Chicago & National Retail Sales



Chicago & National Manufacturing Employment

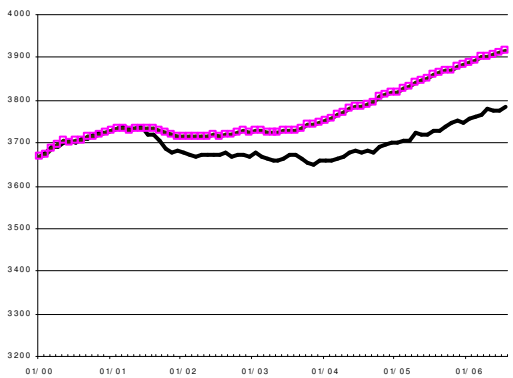


Illinois & National Construction



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

Chicago & National Non-manufacturing Employment



## Economic Activity: Summary

Percentage change compared to the previous period

Months ago	National			Chicago		
	12	3	1	12	3	1
Mfgn	0.08	-0.06	-0.16	-1.38	-0.14	0.29
NMfgn	1.46	0.30	0.12	1.48	0.02	0.18
Cons	-10.0	-8.61	0.72	3.75	1.90	0.71
Retail	4.38	1.23	1.48	5.53	-5.10	2.95

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

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