

CHICAGO BUSINESS ACTIVITY INDEX

CBAI fell in December

The Chicago Business Activity Index (CBAI) was 85.1 in December, the fifteenth consecutive below the long-term trend reading since October 2006. Not only the weak national economy but also the decrease of consumption, construction, and manufacturing sectors contributed negatively to the index. Considering that the CBAI leads the local business cycle and the values of this index under 100 are associated with below-trend growth, the Chicago economy will experience below trend growth over the next 12 months.

In December, the national economy showed relatively weak features. The Chicago Fed National Activity Index (CFNAI) was -0.91, down from -0.29 in November. Housing starts/building permits announced by US Census Bureau fell by 14.2 percent compared with November. The Federal Reserve Board’s industrial production index for manufacturing (IPMFG) stayed at the same level of November. The economic performance in Chicago also presented weak features. The manufacturing production, construction activity, and consumption dropped by 0.12 percent, 0.62 percent, and 0.52 percent respectively in December.

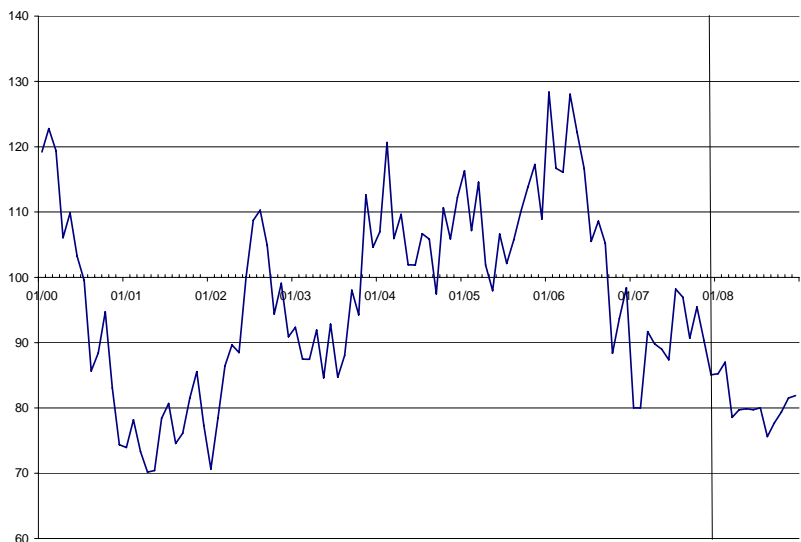
The national economy and regional economy seem to continue on a slower economic growth trend. For the national economy, the leading index of the Conference Board decreased again in December by 0.2 percent, the third consecutive monthly decline. Ben S. Bernanke, the chairman of Federal Reserve Board testified in the senate that “in part as the result of the developments in financial markets, the outlook for the economy has worsened in recent months, and the downside risks to growth have increased.” For the local economy, the CBAI index suggests that economic growth will be below its historical trend, in large part because of the slowing national economic activity.

Chicago Business Activity Index

Release Date:
February 19, 2008

Next Release Date:
March 15, 2008

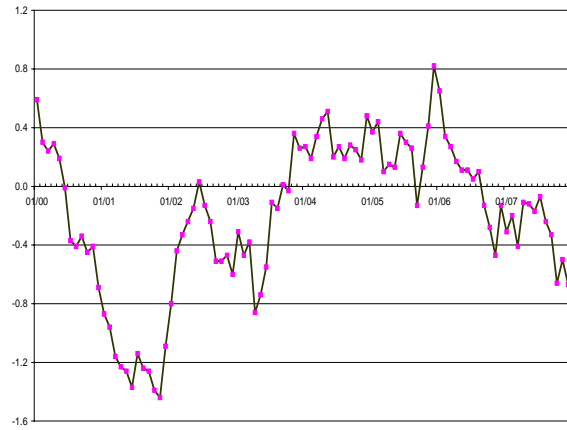
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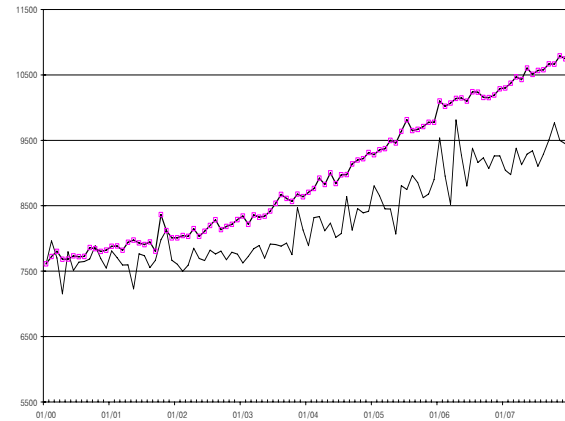
CBAI (Current: 85.1)			
	1 month	3 month	1 year
Historical (ago)	90.3	90.7	98.4
Forecast (ahead)	85.2	78.5	81.9

Chicago Business Activity Index

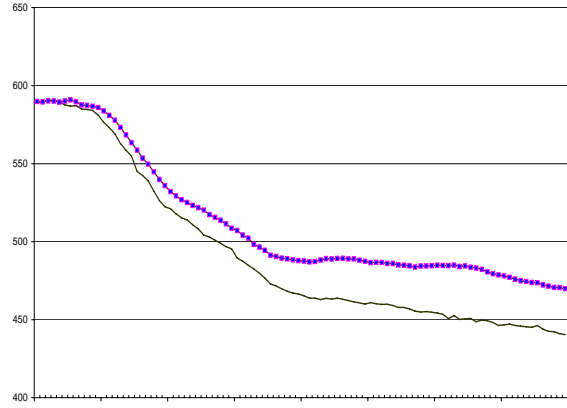
Chicago Fed National Activity Index (CFNAI-MA3)



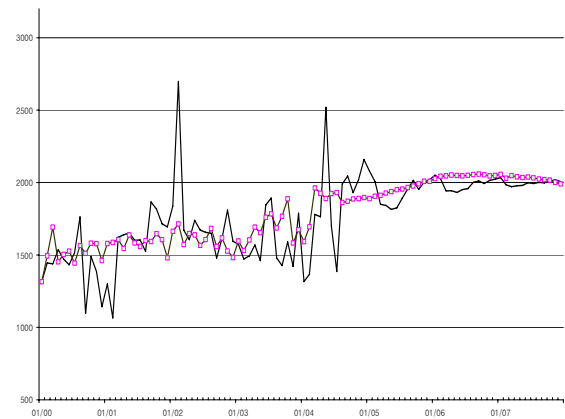
Chicago & National Retail Sales



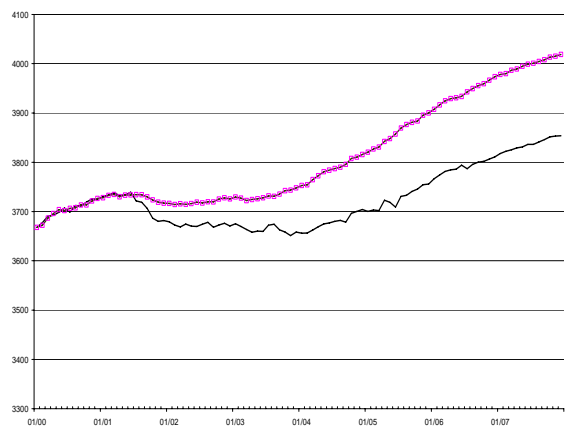
Chicago & National Manufacturing Employment



Illinois & National Construction



Chicago & National Non-manufacturing Employment



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

Economic Activity: Summary

Percentage change compared to the previous period

Months ago	National			Chicago		
	12	3	1	12	3	1
Mfgn	-1.85	-0.35	-0.14	-1.29	-0.47	-0.12
NMfgn	1.14	0.27	0.08	1.13	0.21	0.02
Cons	-2.88	-1.50	-0.60	-0.85	0.39	-0.62
Retail	4.44	0.73	-0.43	2.02	-0.61	-0.52

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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For more information please contact:
Donghun Joo, Research Assistant
T. 217/244-7226; djoo2@uiuc.edu

University of Illinois
220 Davenport Hall, 607 S. Mathews Ave.
Urbana, IL 61801-3671, www.real.uiuc.edu