

CHICAGO BUSINESS ACTIVITY INDEX

CBAI held steady in August

The Chicago Business Activity Index (CBAI) was 47.0 in August, down slightly from 47.7 in July. The decline of the CBAI in August was mainly due to the deteriorating employment situation in the Chicago region.

In August the national and regional economy showed mixed features. The Chicago Fed National Activity Index was -0.90 in August, down from -0.56 in July. The Federal Reserve Board's industrial production index rose for a second consecutive month in August: it increased 0.8 percent in August, following an increase of 1.0 percent in July. Nevertheless, non-farm payroll employment continued to decline (-201,000); and the unemployment rate increased to 9.7 percent in August from 9.4 percent in July. The Chicago Fed Midwest Manufacturing Index (CFMMI) decreased 0.3 percent in August after registering an increase of 3.1 percent in July. In the Chicago region, construction employment plummeted by 1.5 percent while manufacturing and non-manufacturing employment decreased 0.2 percent and 0.3 percent respectively in August.

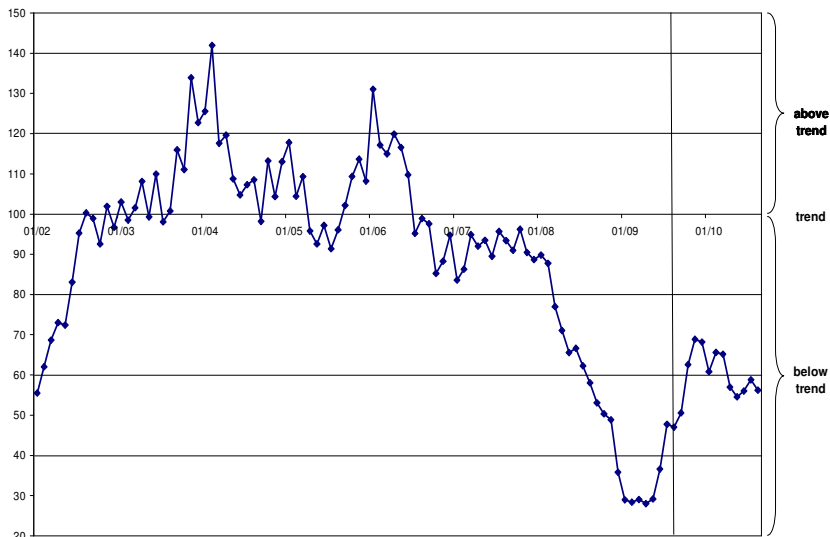
In recent months, production- and financial market- related indicators have largely shown hints of economic stabilization. However, the employment situation has continued to deteriorate significantly: the number of non-farm payroll employment has decreased 5.0 percent (-6,942,000) as of August since the beginning of the recession in December 2007. Furthermore, most forecasts expect labor market weakness will persist in the coming months. For example, the San Francisco Fed has suggested a jobless recovery, which is similar to the one experienced in the early 1990s, to be a plausible scenario in the future. The speed of the improvement of the national economy in the near future would depend critically on the decline in uncertainty in the labor market and subsequent strength of recovery of household's demand. 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:
October 15, 2009

Next Release Date:
November 16, 2009

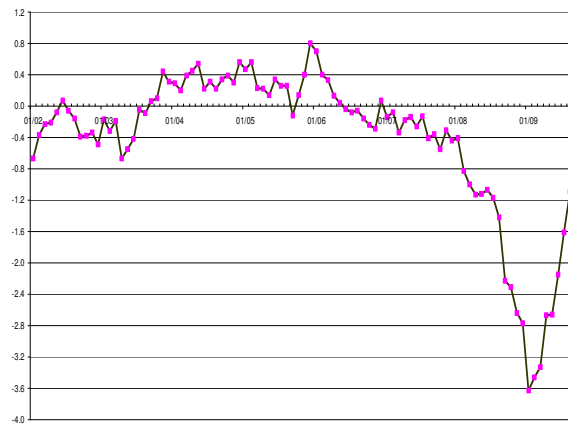
Visit our web-site at
www.real.illinois.edu



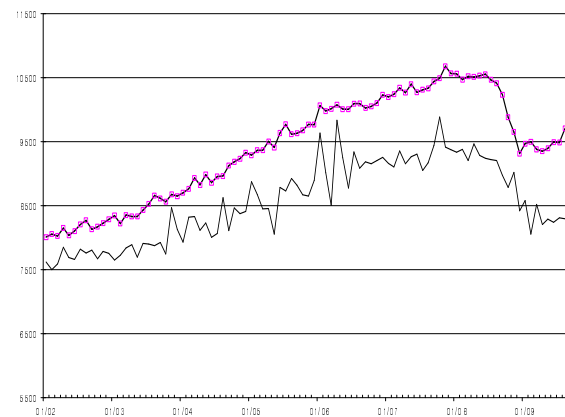
CBAI (Current: 47.0)			
	1 month	3 month	1 year
Historical (ago)	47.7	29.2	58.0
Forecast (ahead)	50.6	68.9	56.2

Chicago Business Activity Index

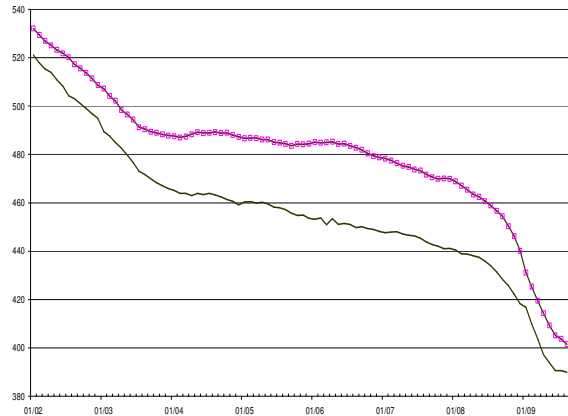
Chicago Fed National Activity Index (CFNAI-MA3)



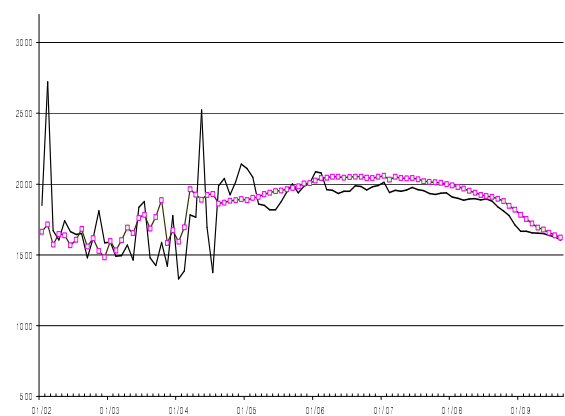
Chicago & National Retail Sales



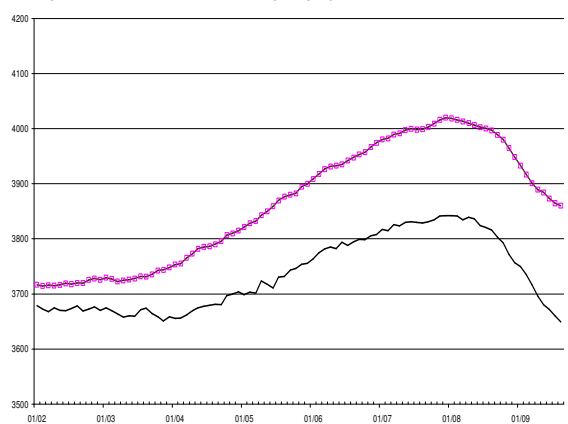
Chicago & National Manufacturing Employment



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	-12.08	-1.92	-0.56	-9.59	-1.02	-0.17
NMfgn	-3.42	-0.61	-0.11	-4.36	-0.85	-0.30
Cons	-14.98	-3.30	-0.97	-14.69	-2.93	-1.46
Retail	-6.78	3.32	2.35	-9.87	0.07	-0.16

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

REGIONAL | ECONOMICS | APPLICATIONS | LABORATORY

For more information please contact:
Tae-Jeong Kim, Research Assistant
T. 217/244-7226; tkim35@illinois.edu

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