

**CHICAGO BUSINESS ACTIVITY INDEX**

**CBAI increased in November**

The Chicago Business Activity Index (CBAI) increased to 97.4 in November from 95.4 in October. The increase is attributed to positive job growth in nonmanufacturing and construction sectors and to the improvement of retail activities in the Chicago area.

In November, the national and regional economies shared positive features. The Federal Reserve Board announced that industrial production index increased 1.1 percent in November after having edged up 0.1 percent in October. Capacity utilization for the industrial sector increased 0.8 percentage point in November to 79.0 percent. The Chicago Fed reported that the Chicago Fed National Activity Index (CFNAI) increased to +0.60 in November from -0.07 in October, led by gains in employment and production. In the Chicago region, the employment in nonmanufacturing and construction rose 0.12 percent and 0.94 percent in November respectively while manufacturing employment decreased 0.3 percent. Retail sales are estimated to have risen 1.08%.

In the coming months, the national economy is likely to maintain its recovery trend. The economic growth reflected in the CFNAI-MA3 suggests that national economic activity was above its historical trend. The Bureau of Labor Statistics reported that total nonfarm payroll employment edged up by 74,000 in December, and the unemployment rate declined from 7.0 percent to 6.7 percent. Considering recent national economic conditions and movements of projected CBAI, the Chicago economy is expected to continue its recovery trend over the next several months.

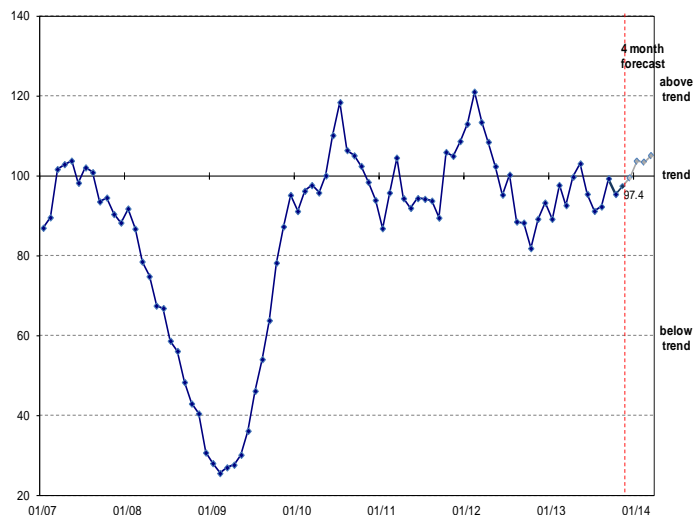
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|                             |         |         |        |
|-----------------------------|---------|---------|--------|
| <b>CBAI</b> (Current: 94.7) |         |         |        |
|                             | 1 month | 3 month | 1 year |
| Historical (ago)            | 95.4    | 92.3    | 89.2   |
| Forecast (ahead)            | 99.5    | 103.3   | -      |

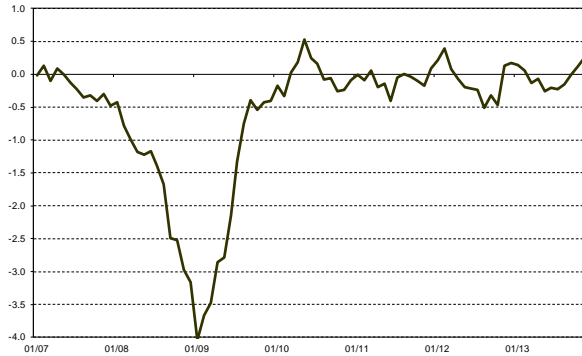
**Chicago Business Activity Index**



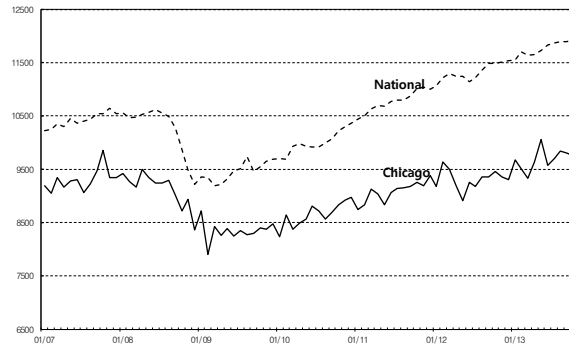
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\* National indicators are rescaled for comparison

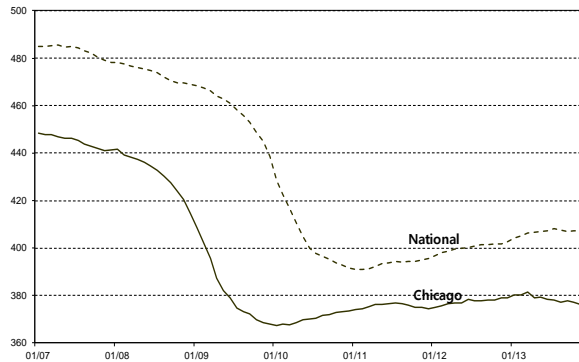
**Chicago Fed National Activity Index (CFNAI-MA3)**



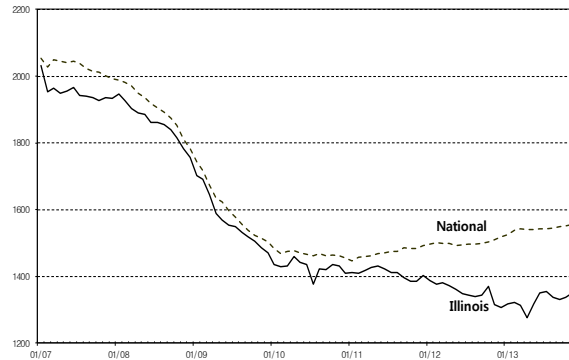
**Chicago & National Retail Sales**



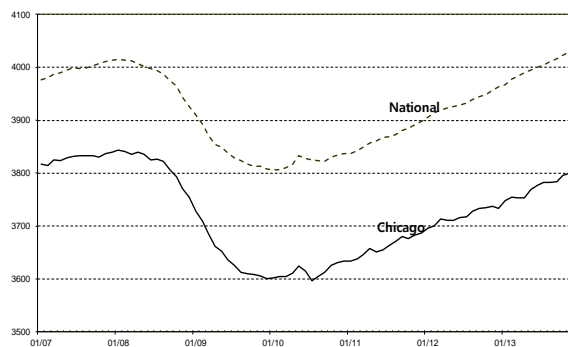
**Chicago & National Manufacturing Employment**



**Illinois & National Construction**



**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       | 0.68     | 0.47 | 0.26 | -0.79   | -0.28 | -0.30 |
| NMfgn      | 1.84     | 0.45 | 0.17 | 1.68    | 0.47  | 0.12  |
| Cons       | 3.10     | 0.76 | 0.33 | 2.55    | 0.98  | 0.94  |
| Retail     | 4.11     | 0.78 | 0.34 | 5.21    | -0.01 | 1.08  |

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.

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