

## News Release

Embargoed for release:  
3:00 pm Eastern Time  
2:00 pm Central Time  
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### What is the *Survey of Business Conditions*?

To support its Beige Book efforts, the Chicago Fed gathers information from its business contacts using an online survey system. Respondents are asked to rate various aspects of business conditions along a seven-point scale ranging from “substantially increased” to “substantially decreased.” A series of diffusion indexes summarizing the distribution of responses is then calculated.

### How are the indexes constructed?

Respondents’ answers on the seven-point scale are assigned a numeric value ranging from +3 to -3. Each diffusion index is calculated as the difference between the number of respondents with answers above their respective average responses and the number of respondents with answers below their respective average responses, divided by the total number of respondents. The index is then multiplied by 100 so that it ranges from +100 to -100 and will be +100 if every respondent provides an above-average answer and -100 if every respondent provides a below-average answer. Respondents with no prior history of responses are excluded from the calculation.

### What do the numbers mean?

Respondents’ respective average answers to a question can be interpreted as representing their historical trends or long-run averages. Thus, zero index values indicate that, on balance, activity, hiring, capital spending, or cost pressures are growing at their trend rates or that outlooks are neutral. Positive index values indicate above-average growth (or optimistic outlooks) on balance, and negative values indicate below-average growth (or pessimistic outlooks) on balance.

The next CFSBC will be released:  
October 19, 2016  
3:00 pm Eastern Time  
2:00 pm Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed Survey of Business Conditions

## Survey shows growth remained modest in July and early August

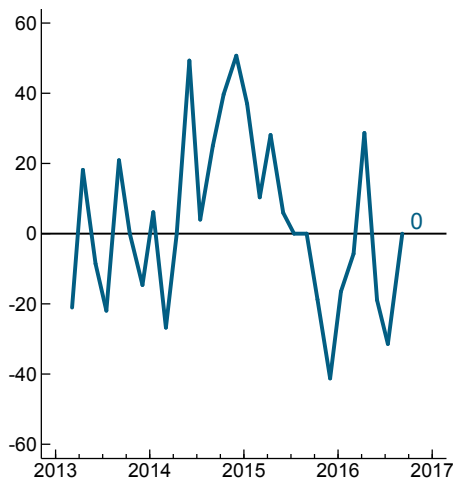
The *Chicago Fed Survey of Business Conditions* (CFSBC) Activity Index increased to -18 from -23, suggesting that growth in economic activity remained at a modest pace in July and early August. The CFSBC Manufacturing Activity Index increased to a neutral value from -31, while the CFSBC Nonmanufacturing Activity Index declined to -27 from -18.

- Respondents’ outlooks for the U.S. economy for the next six to 12 months improved on balance, and turned optimistic. Respondents with optimistic outlooks highlighted continuing improvements in the labor and housing markets. Respondents with pessimistic outlooks cited weakness in their respective industries, elevated uncertainty surrounding the pace of economic growth in the U.S., and elevated policy uncertainty related to the upcoming U.S. elections.
- The pace of current hiring picked up, as did respondents’ expectations for the pace of hiring over the next six to 12 months. Both hiring indexes remained negative.
- The pace of current capital spending ticked up, and respondents’ expectations for the pace of capital spending over the next six to 12 months moved higher. Both capital spending indexes remained negative.
- The wage cost pressures index increased and moved into positive territory, while the nonwage cost pressures index moved down and remained negative.

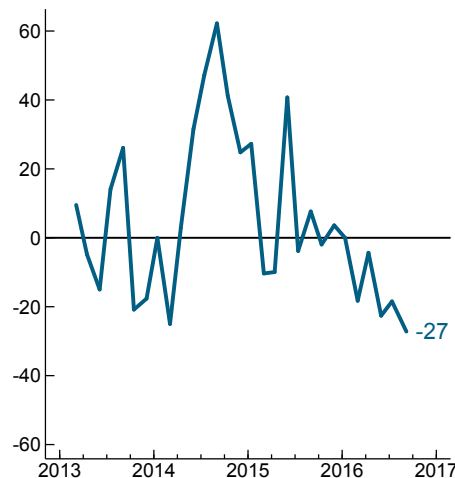
### Activity Indexes: Overall and by Sector



### Manufacturing



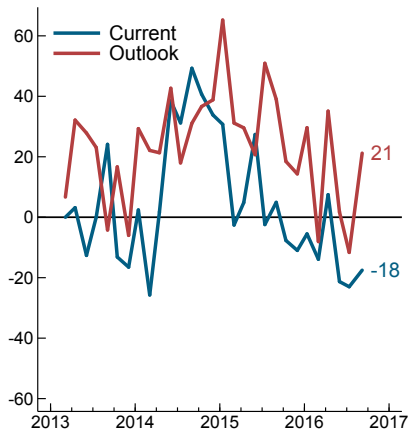
### Nonmanufacturing



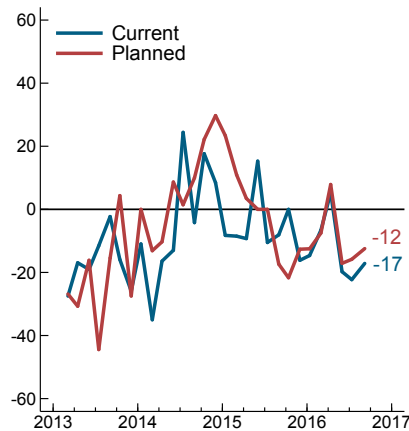
Notes: Positive readings of the overall activity index indicate that more respondents reported above-average growth in activity at their respective firms than below-average growth over the past four to six weeks. The manufacturing and nonmanufacturing activity indexes are calculated in a similar manner by dividing survey responses between manufacturing and nonmanufacturing firms. All three indexes are measured in percentage terms, such that if all respondents report above-average growth they will be +100; and, conversely, if all respondents report below-average growth they will be -100 (see the sidebar for further details on the indexes’ construction).

## Additional Survey Results

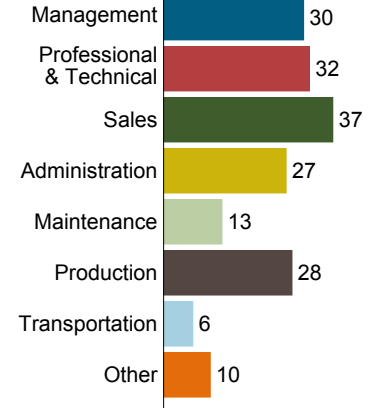
### Activity



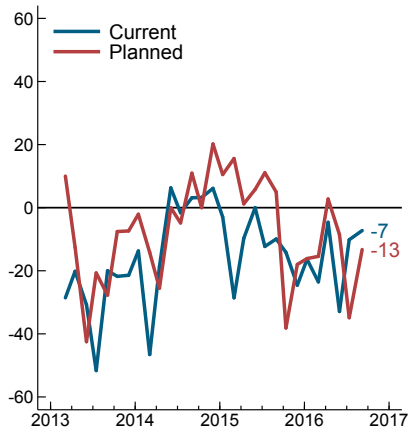
### Hiring



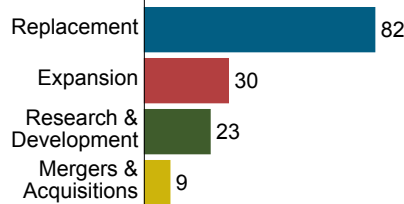
### Occupations (%)



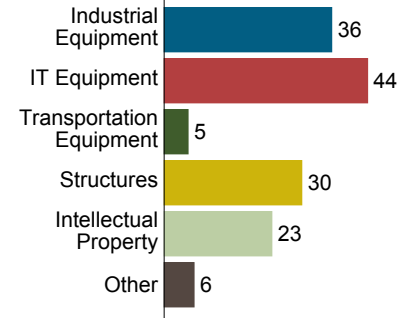
### Capital Spending



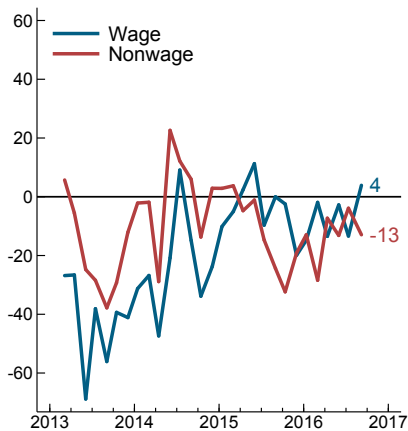
### Spending for (%)



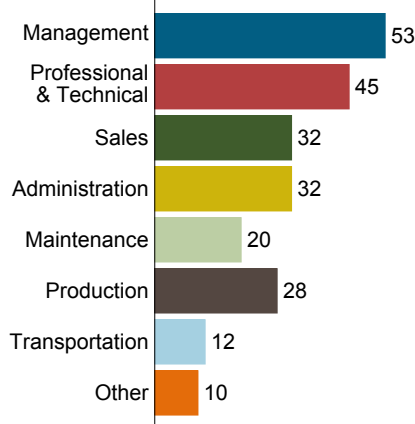
### Spending on (%)



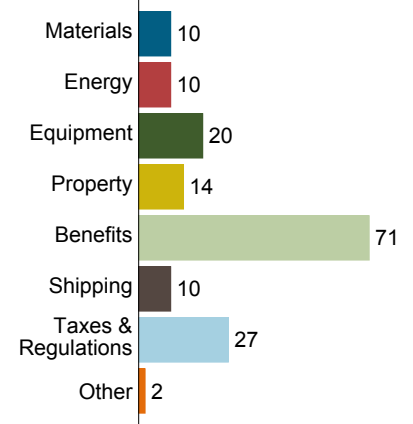
### Cost Pressures



### Increasing Wage Costs (%)



### Increasing Nonwage Costs (%)



NOTES: Positive readings of the current activity, hiring, capital spending, and wage and nonwage cost pressures indexes indicate that more respondents reported above-average growth at their respective firms than below-average growth in current activity, hiring, capital spending, and wage and nonwage cost pressures. Positive readings of the planned hiring and capital spending indexes indicate similar outcomes for questions pertaining to expectations for hiring and capital spending in the next six to 12 months. Positive readings of the outlook index indicate more respondents reported above-average outlooks for the U.S. economy over the next six to 12 months than below-average ones. The bar charts report the percentage of responses for types of occupations currently in demand; reasons for capital spending and its allocation; and sources of increasing wage and nonwage cost pressures. The numbers may add up to more than 100 percent because more than one option can be chosen.