

## News Release

Embargoed for release:  
3:00 pm Eastern Time  
January 15, 2020

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### What is the *Survey of Business Conditions*?

Business contacts in the Seventh Federal Reserve District 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, and 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:  
March 4, 2020  
3:00 pm Eastern Time  
2:00 pm Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

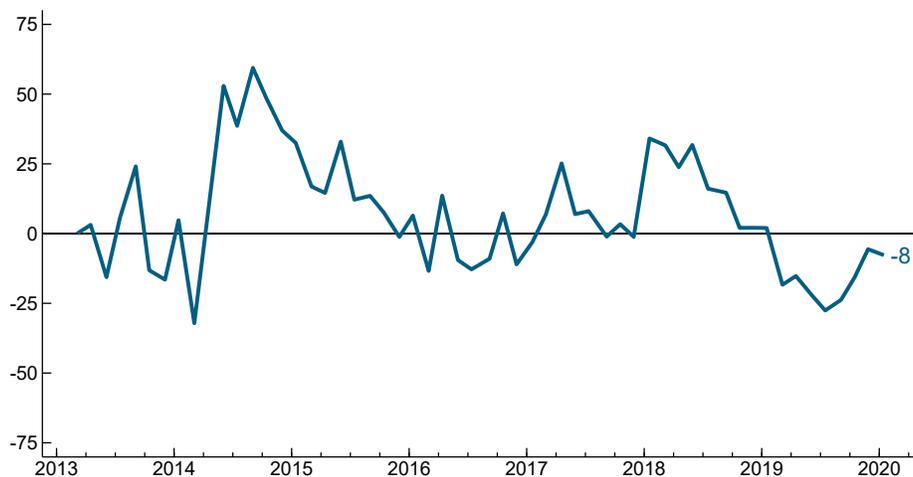
# Chicago Fed Survey of Business Conditions

## Survey shows steady growth in late November and December

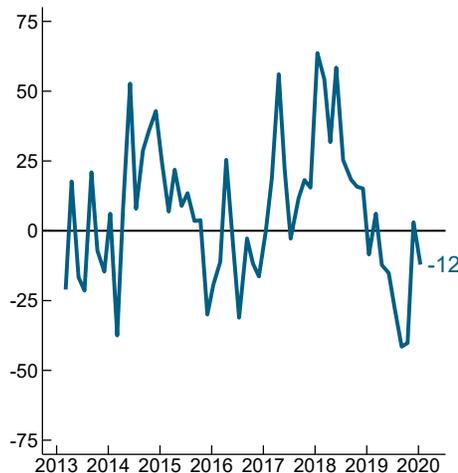
The *Chicago Fed Survey of Business Conditions* (CFSBC) Activity Index edged down to -8 from -6, suggesting that growth in economic activity remained at a modest pace in late November and December. The CFSBC Manufacturing Activity Index decreased to -12 from +3, while the CFSBC Nonmanufacturing Activity Index moved up to -5 from -9.

- Respondents’ outlooks for the U.S. economy for the next 12 months improved, and remained optimistic on balance. Respondents with optimistic outlooks highlighted growing demand for their firms’ products, good economic data, and strong labor markets. Respondents with pessimistic outlooks highlighted elevated policy uncertainty under the current U.S. presidential administration, particularly in regard to trade policy; a slowdown in demand for their firms’ products; and weakness in the manufacturing sector.
- The pace of current hiring decreased, though respondents’ expectations for the pace of hiring over the next 12 months picked up. The hiring index remained negative, while the hiring expectations index moved into positive territory.
- Respondents’ expectations for the pace of capital spending over the next 12 months decreased, and the capital spending expectations index remained negative.
- The labor cost pressures index increased, but the nonlabor cost pressures index ticked down. Both cost pressures indexes remained negative.

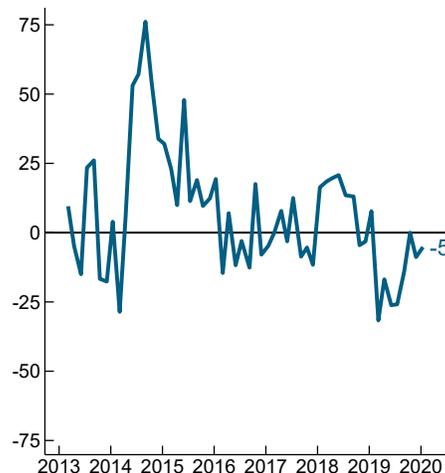
### Activity Indexes: Overall and by Sector



### Manufacturing

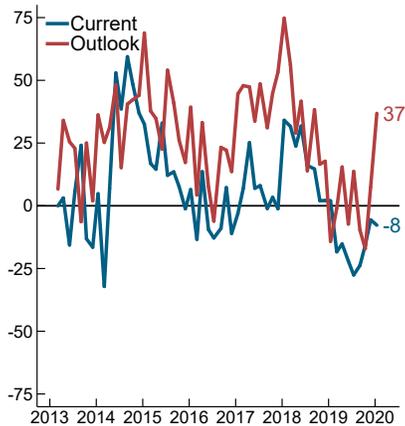


### Nonmanufacturing

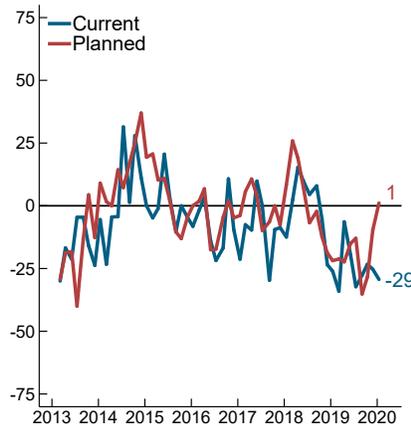


## Additional Survey Results

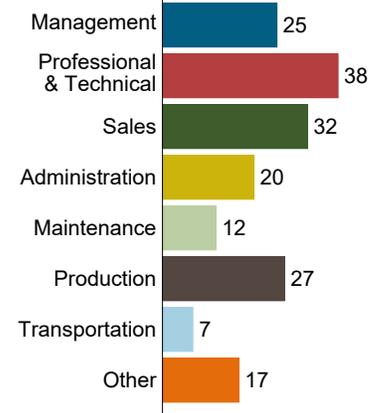
### Activity



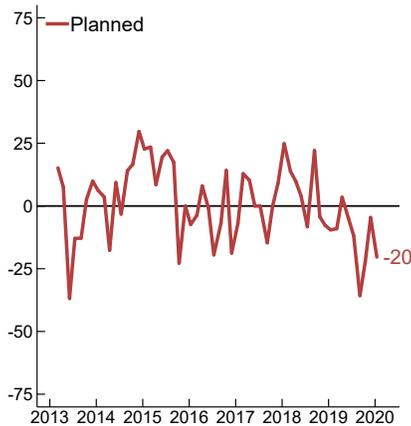
### Hiring



### Occupations (%)



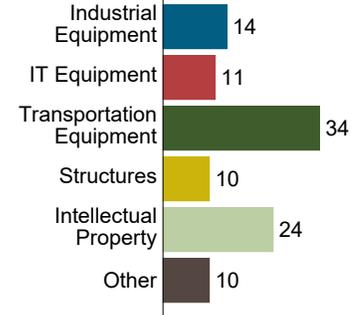
### Capital Spending



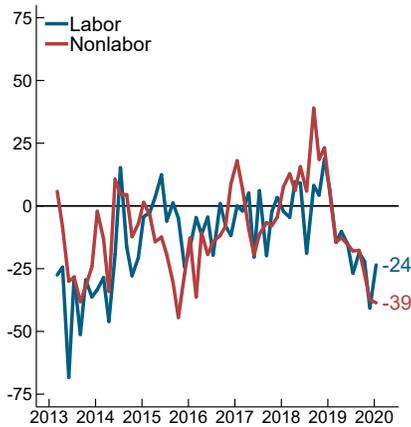
### Current Spending for (%)



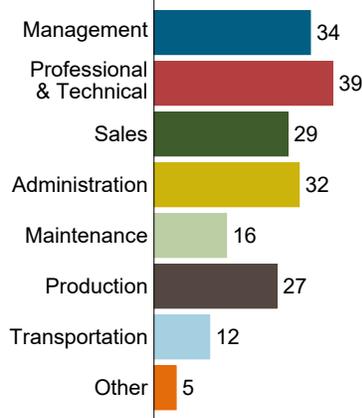
### Spending on (%)



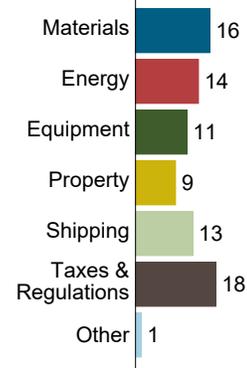
### Cost Pressures



### Increasing Labor Costs (%)



### Increasing Nonlabor Costs (%)



NOTES: Positive readings of the current activity, hiring, and labor and nonlabor cost pressures indexes indicate that more respondents reported above-average growth at their respective firms than below-average growth in current activity, hiring, and labor and nonlabor 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 12 months. Positive readings of the outlook index indicate more respondents reported above-average outlooks for the U.S. economy over the next 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 labor and nonlabor cost pressures. The numbers may add up to more than 100 percent because more than one option can be chosen. In late 2019, the underlying survey questions on cost pressures were changed to focus on labor and nonlabor costs instead of wage and nonwage costs. The results based on this change were first reported in the November 27, 2019, release.