News You Can Use

An Introduction to Chicago Fed Activity Indexes
The Chicago Fed Survey of Business Conditions (CFSBC)

Survey conducted eight times per year released at chicagofed.org/cfsbc

- Described in Brave and Walstrum (2014, 2015)
- Over 900 business contacts from a wide variety of industries
- Average response rate of approx. 11% (72% repeat responders)
- About equal percentage from Goods and Service industries
- Covers activity, hiring, capital spending, wage and nonwage costs

Ex: In the past four to six weeks, demand for my products/services has...

- increased substantially.
- increased moderately.
- increased slightly.
- not changed.
- decreased slightly.
- decreased moderately.
- decreased substantially.
Interpreting the CFSBC Diffusion Indexes

Designed to capture changes in the direction of activity

To make comparable with CFNAI/MEI, we adjust (demean) by respondent

\[ 100 \times \frac{\# \text{Above Average Responses} - \# \text{Below Average Responses}}{\# \text{Responses}} \]

Interpretation:

- Positive value indicates majority reporting *above-average* growth
- Negative value indicates majority reporting *below-average* growth

Ex: If *on average* someone says demand increases slightly, we consider only moderate and significant increases in demand as positive.
CFSBC Activity Index

Note: Average real gross domestic product (GDP) growth over the reporting range is 2.4 percent. Source: GDP data from the U.S. Bureau of Economic Analysis from Haver Analytics.

Can the CFSBC Activity Index Nowcast U.S. Real GDP Growth?
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:
June 5, 2019
3:00 pm Eastern Time
2:00 pm Central Time

Survey shows steady growth in late February and March
Activity Indexes: Overall and by Sector

Manufacturing

Nonmanufacturing

FAQs
Economic Research (FRB Chicago)
Survey of Business Conditions

CFSBC Outlook and Current and Planned Hiring

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.

CFSBC release dates, historical data, and background information are available at chicagofed.org/cfsbc.

FAQs
CFSBC Current and Planned Capital Spending

Capital Spending

Spending for (%)
- Replacement: 76%
- Expansion: 29%
- Research & Development: 27%
- Mergers & Acquisitions: 6%

Spending on (%)
- Industrial Equipment: 37%
- IT Equipment: 58%
- Transportation Equipment: 12%
- Structures: 22%
- Intellectual Property: 17%
- Other: 6%

FAQs
CFSBC Wage and Nonwage Cost Pressures

Cost Pressures

Increasing Wage Costs (%)
- Management: 22%
- Professional & Technical: 44%
- Sales: 16%
- Administration: 36%
- Maintenance: 22%
- Production: 40%
- Transportation: 13%
- Other: 9%

Increasing Nonwage Costs (%)
- Materials: 40%
- Energy: 22%
- Equipment: 10%
- Property: 12%
- Benefits: 68%
- Shipping: 36%
- Taxes & Regulations: 26%
- Other: 4%

FAQs
Additional information available at chicagofed.org/research/data/index

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