

## Chicago Fed Survey of Economic Conditions (CFSEC) Frequently Asked Questions

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

Contacts located in the Seventh Federal Reserve District are asked to rate various aspects of economic conditions along a seven-point scale ranging from “large increase” to “large decrease.” 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 index 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, on balance, average growth (or a neutral outlook) for activity, hiring, capital spending, or cost pressures. Positive index values indicate above-average growth (or an optimistic outlook) on balance, and negative values indicate below-average growth (or a pessimistic outlook) on balance.

### **What do the bar chart numbers mean?**

The bar charts report the percentage of respondents choosing an answer in the latest survey. The percentages are *not* adjusted to be relative to respondents’ respective average answers.

### **How has the CFSEC changed over time?**

In late 2019, two methodological changes were made to the CFSEC questionnaire. First, the current capital spending question was revised, so the publication of the current capital spending index was suspended. It is expected that the current capital spending index will return once a sufficient amount of data from the new question become available. Second, the cost pressures questions were changed to focus on labor and nonlabor costs instead of wage and nonwage costs. The results based on the revised cost pressures questions were first reported in the November 27, 2019, release. The cost pressures indexes were not suspended, although the historical data could be revised later to reflect this methodological change.

In the second quarter of 2020, the CFSEC moved from a semiquarterly to a monthly schedule. To accommodate the higher frequency of surveying, the survey was streamlined, with a reduction in the number of hiring and capital expenditure categories covered. The schedule change also required the calculation of monthly index values from the historical semiquarterly index values. The monthly values are derived through linear interpolation. The results based on these updates were first reported in the May 12, 2020, release.

Prior to April 2022, the *Chicago Fed Survey of Economic Conditions* was named the *Chicago Fed Survey of Business Conditions* (CFSBC). The name of the survey was changed to better represent its aim and base of respondents. The goal of the survey is to assess the state of the economy in the Seventh Federal Reserve District. Moreover, since the beginning of the survey, it has been filled out by both business and nonbusiness contacts.