

## 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:  
March 2, 2016  
3:00 pm Eastern Time  
2:00 pm Central Time

FEDERAL RESERVE BANK  
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# Chicago Fed Survey of Business Conditions

## Survey shows growth continued at a modest pace in late November and December

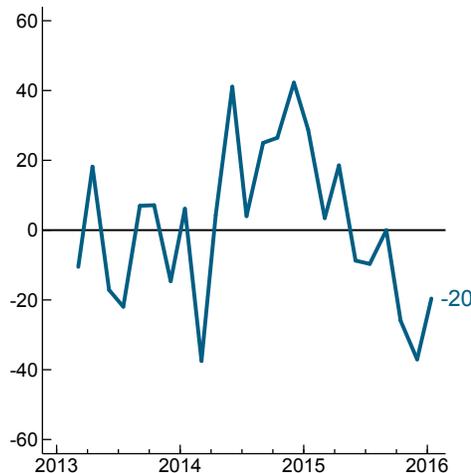
The *Chicago Fed Survey of Business Conditions* (CFSBC) Activity Index declined to -17 from -12, suggesting that growth in economic activity continued at a modest pace in late November and December. The CFSBC Manufacturing Activity Index rose to -20 from -37, and the CFSBC Nonmanufacturing Activity Index fell to -16 from zero.

- Respondents’ outlooks for the U.S. economy for the next six to 12 months improved, and remained positive. Those respondents with optimistic outlooks expected steady growth in the U.S. economy in 2016 and highlighted continuing improvement in the labor market, while those with pessimistic outlooks cited the negative effects on exports from weak growth overseas and the strong dollar.
- The pace of current hiring slowed some, and respondents lowered their expectations for the pace of hiring over the next six to 12 months. Both hiring indexes remained negative.
- The pace of current capital spending increased slightly, and respondents raised their expectations for the pace of capital spending over the next six to 12 months. However, both capital spending indexes remained negative.
- Growth in wage and nonwage cost pressures ticked up, but both indexes remained negative.

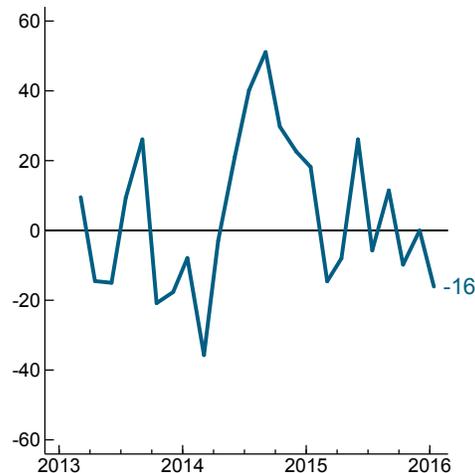
### Activity Indexes: Overall and by Sector



### Manufacturing



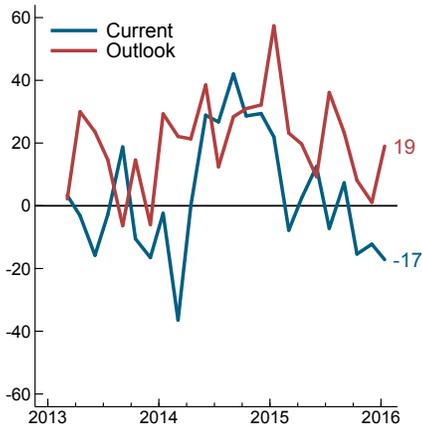
### Nonmanufacturing



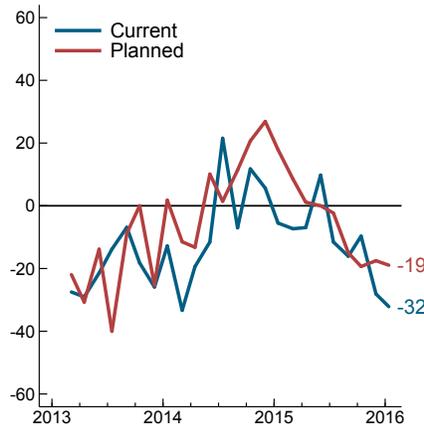
Notes: Positive readings of the overall activity index indicate that more respondents reported above-average growth in activity at their respective firms than below-average growth over the past four to six weeks. The manufacturing and nonmanufacturing activity indexes are calculated in a similar manner 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

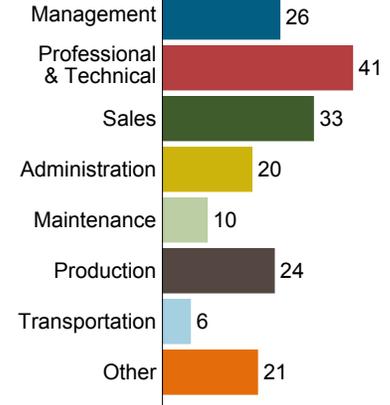
### Activity



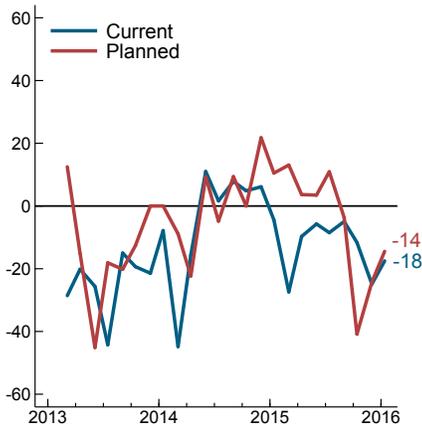
### Hiring



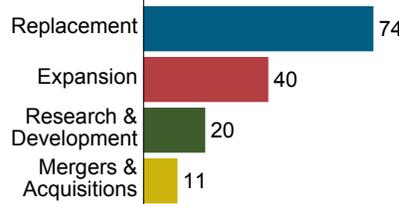
### Occupations (%)



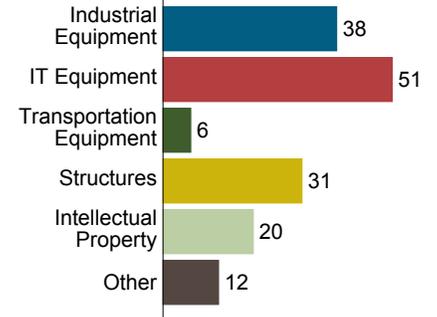
### Capital Spending



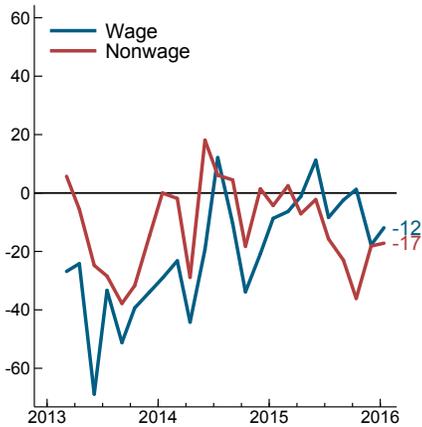
### Spending for (%)



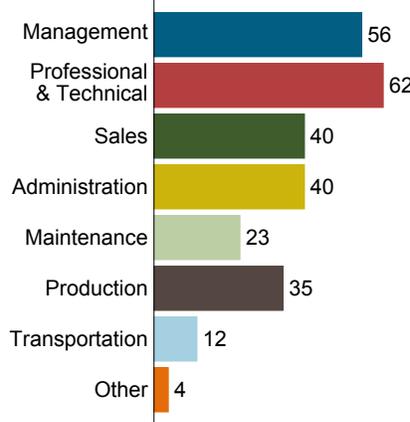
### Spending on (%)



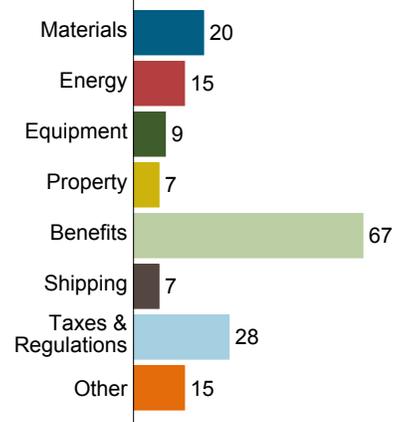
### Cost Pressures



### 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.