Chicago Fed Survey of Business Conditions

Survey shows growth slowed in April and early May

The Chicago Fed Survey of Business Conditions (CFSBC) Activity Index decreased to –23 from zero, suggesting that growth in economic activity slowed to a modest pace in April and early May. The CFSBC Manufacturing Activity Index declined to –23 from +27, while the CFSBC Nonmanufacturing Activity Index decreased to –24 from –15.

• Respondents’ outlooks for the U.S. economy for the next six to 12 months worsened on balance, but remained optimistic. Respondents with optimistic outlooks highlighted continuing improvement in the labor and housing markets. Those with pessimistic outlooks cited higher uncertainty surrounding the pace of economic growth at home and abroad, as well as elevated policy uncertainty.

• The pace of current hiring slowed, and respondents’ expectations for the pace of hiring over the next six to 12 months weakened. Both hiring indexes were negative.

• The pace of current capital spending declined, and respondents’ expectations for the pace of capital spending over the next six to 12 months also moved down. Both capital spending indexes were negative.

• Wage cost pressures picked up, while nonwage cost pressures moved down somewhat. The wage pressures index value was zero, while the nonwage cost pressures index remained negative.

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).
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.