Survey shows growth slowed in July and early August

The Chicago Fed Survey of Business Conditions (CFSBC) Activity Index decreased to –8 from +4, suggesting that growth in economic activity slowed to a modest pace in July and early August. The CFSBC Manufacturing Activity Index remained at +9, while the CFSBC Nonmanufacturing Activity Index fell to –18 from +2.

- Respondents’ outlooks for the U.S. economy for the next six to 12 months deteriorated some, but remained optimistic on balance. Respondents with optimistic outlooks highlighted good recent economic data and increased demand for their firms’ products. Respondents with pessimistic outlooks cited elevated policy uncertainty under the current U.S. presidential administration and the slowdown in auto sales.

- The pace of current hiring slowed, as did respondents’ expectations for the pace of hiring over the next six to 12 months. The current hiring index moved into negative territory, and the hiring expectations index remained negative.

- The pace of current capital spending decreased, as did respondents’ expectations for the pace of capital spending over the next six to 12 months. Both indexes remained negative.

- While the wage cost pressures index declined and moved into negative territory, the nonwage cost pressures index increased and remained positive.

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).
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.