

News Release

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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 7, 2018
3:00 pm Eastern Time
2:00 pm Central Time

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Chicago Fed Survey of Business Conditions

Survey shows growth accelerated in late November and December

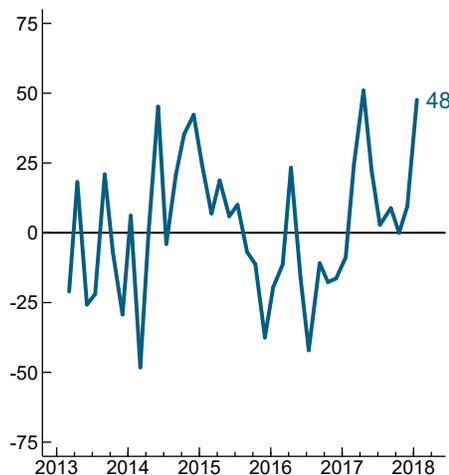
The *Chicago Fed Survey of Business Conditions* (CFSBC) Activity Index increased to +27 from -14, suggesting that growth in economic activity picked up to a moderate pace in late November and December. The CFSBC Manufacturing Activity Index moved up to +48 from +9, and the CFSBC Nonmanufacturing Activity Index rose to +15 from -29.

- Respondents’ outlooks for the U.S. economy for the next six to 12 months improved, and remained optimistic on balance. Respondents with optimistic outlooks highlighted the federal tax reform, good economic data, and increased demand for their firms’ products. Respondents with pessimistic outlooks expressed concern that the federal tax reform could have a negative long-term effect on the economy.
- The pace of current hiring edged up, and respondents’ expectations for the pace of hiring over the next six to 12 months improved. But both indexes remained negative.
- The pace of current capital spending was unchanged, but respondents’ expectations for the pace of capital spending over the next six to 12 months increased. While the current capital spending index remained negative, the capital spending expectations index turned positive.
- The wage cost pressures index edged down and moved into negative territory. In contrast, the nonwage cost pressures index increased and moved into positive territory.

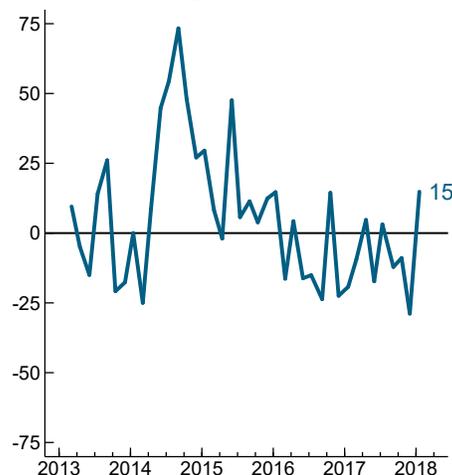
Activity Indexes: Overall and by Sector



Manufacturing

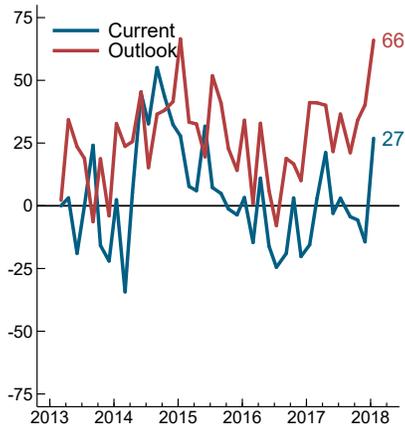


Nonmanufacturing

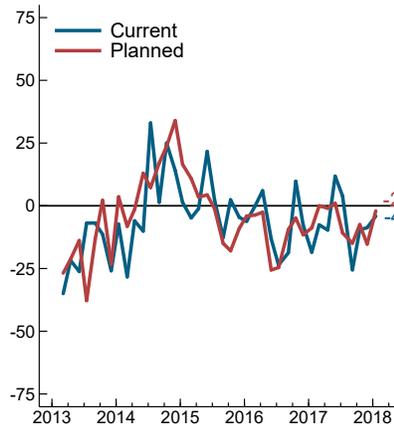


Additional Survey Results

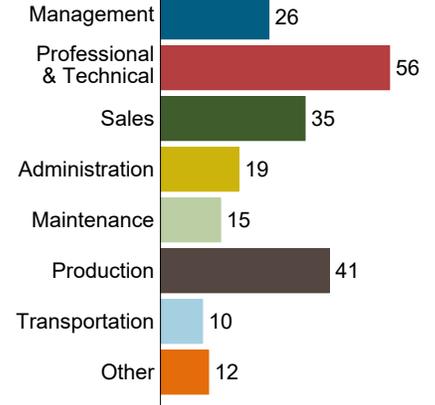
Activity



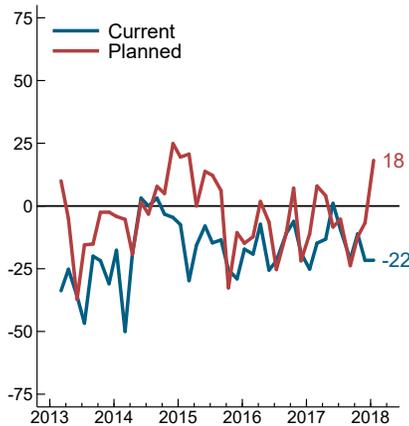
Hiring



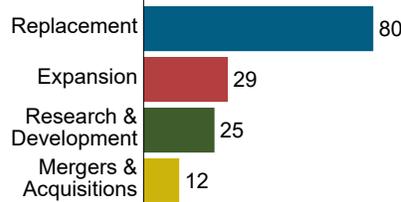
Occupations (%)



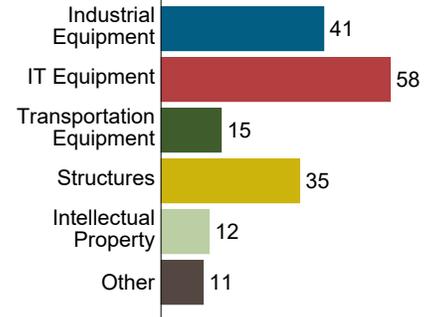
Capital Spending



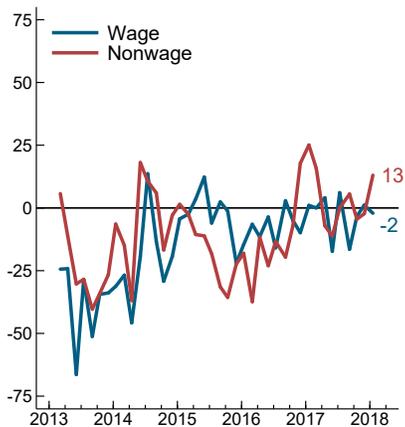
Spending for (%)



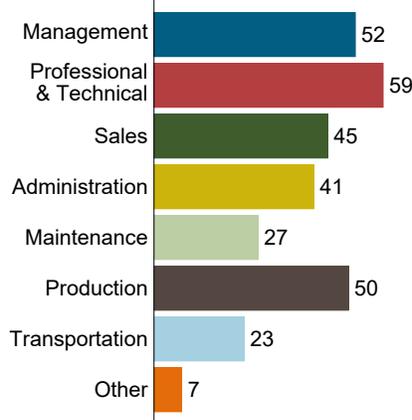
Spending on (%)



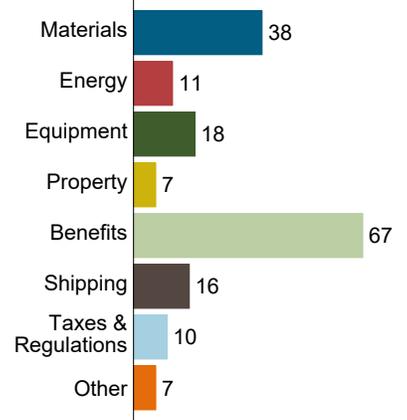
Cost Pressures



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.