

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*?

Business contacts in the Seventh Federal Reserve District 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, and 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:
October 24, 2018
3:00 pm Eastern Time
2:00 pm Central Time

FEDERAL RESERVE BANK
OF CHICAGO

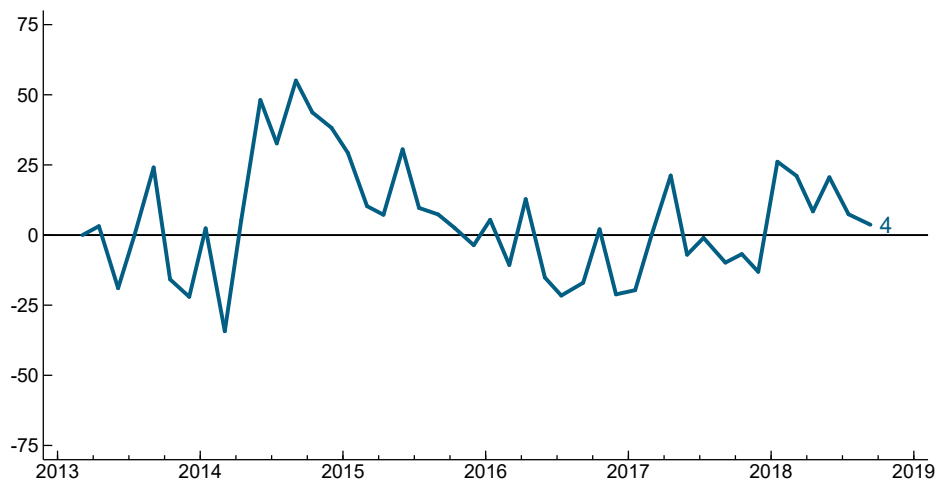
Chicago Fed Survey of Business Conditions

Survey shows steady growth in July and early August

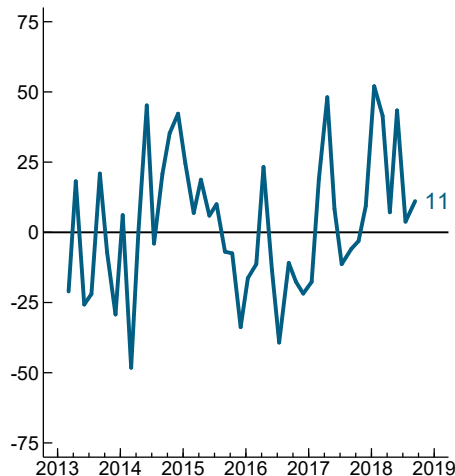
The *Chicago Fed Survey of Business Conditions* (CFSBC) Activity Index edged down to +4 from +7, suggesting that growth in economic activity remained at a moderate pace in July and early August. The CFSBC Manufacturing Activity Index increased to +11 from +4, while the CFSBC Nonmanufacturing Activity Index decreased to a neutral reading from +11.

- 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 good economic data, increased demand for their firms’ products, and the federal tax reform. Respondents with pessimistic outlooks highlighted elevated policy uncertainty under the current U.S. presidential administration, particularly in regard to trade policy.
- The pace of current hiring picked up, while respondents’ expectations for the pace of hiring over the next six to 12 months were unchanged. The current hiring index moved into positive territory, but the hiring expectations index remained negative.
- The pace of current capital spending increased, as did respondents’ expectations for the pace of capital spending over the next six to 12 months. While the current capital spending index remained negative, the capital spending expectations index turned positive.
- The wage cost pressures index rose into positive territory, and the nonwage cost pressures index increased, remaining positive.

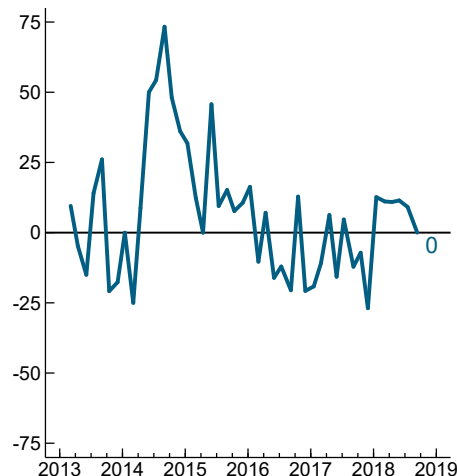
Activity Indexes: Overall and by Sector



Manufacturing

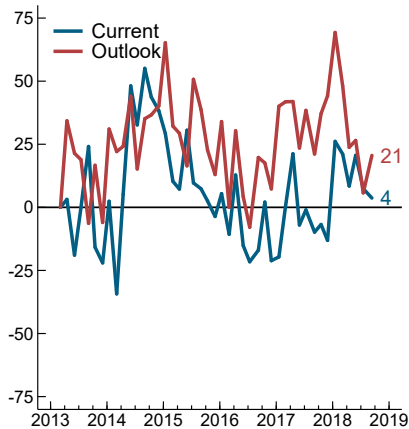


Nonmanufacturing

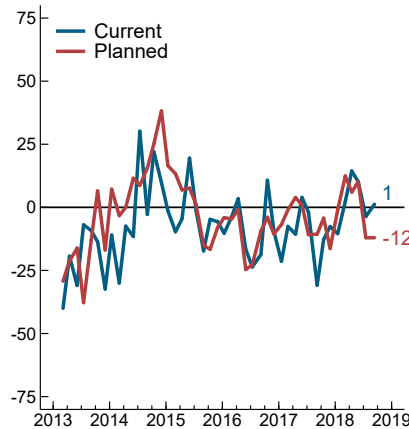


Additional Survey Results

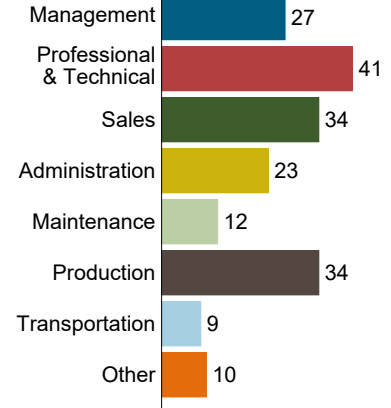
Activity



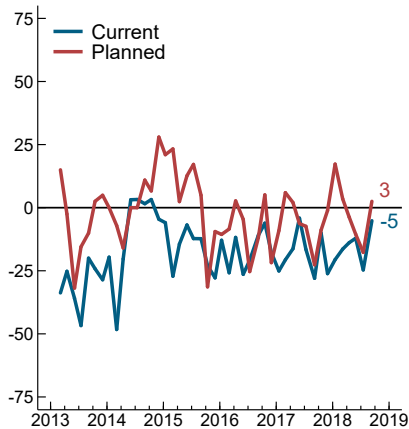
Hiring



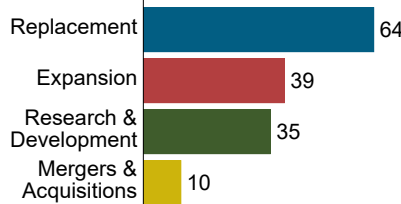
Occupations (%)



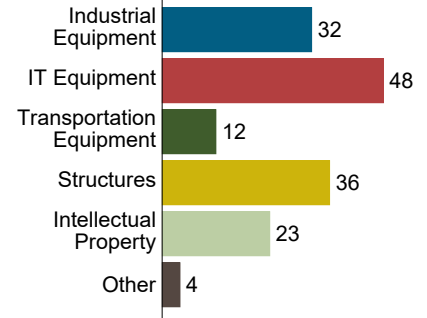
Capital Spending



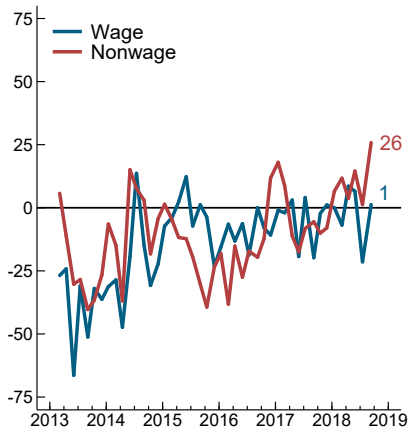
Spending for (%)



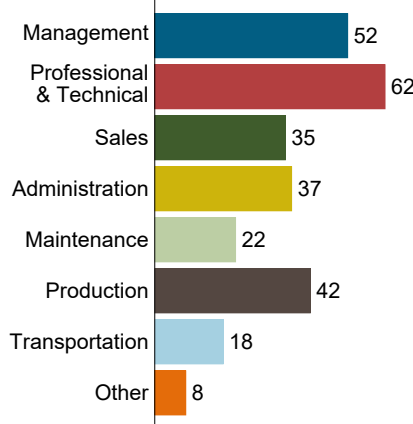
Spending on (%)



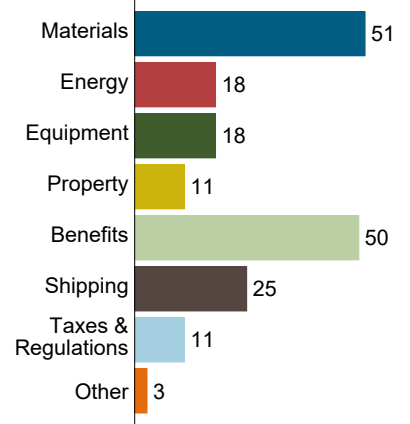
Cost Pressures



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.