News Release

Embargoed for release:
3:00 pm Eastern Time
2:00 pm Central Time
April 15, 2020

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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:
May 12, 2020
10:00 am Eastern Time
9:00 am Central Time

FEDERAL RESERVE BANK OF CHICAGO

Chicago Fed Survey of Business Conditions

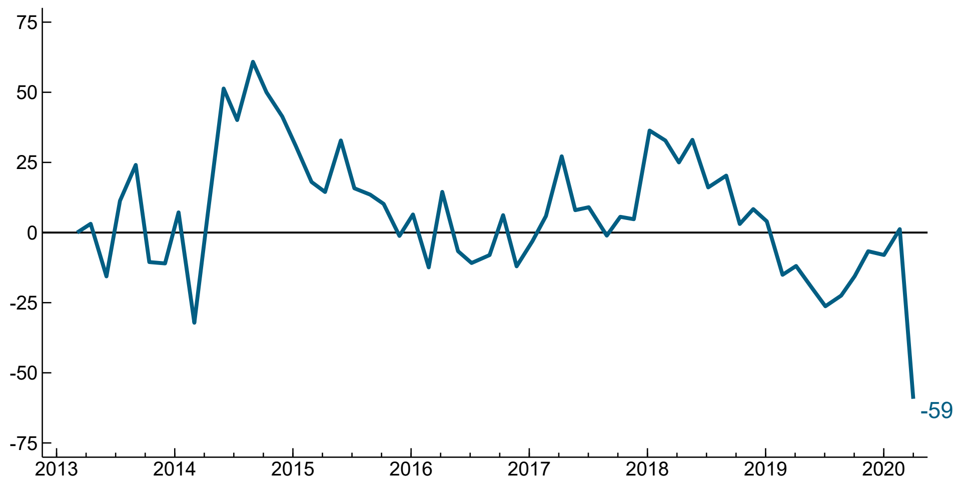
Survey shows growth slowed substantially in late February and March

Following this release, the CFSBC will move to a monthly release schedule. Visit chicagofed.org/cfsbc for details.

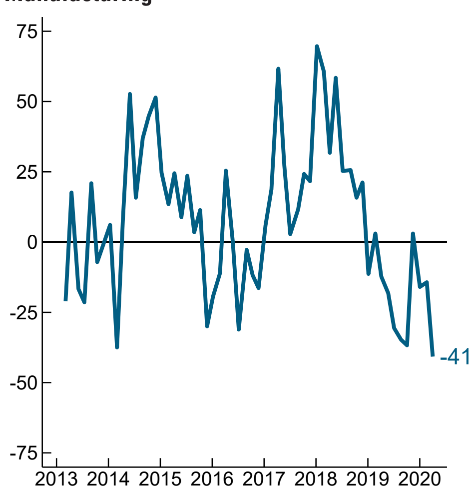
The *Chicago Fed Survey of Business Conditions* (CFSBC) Activity Index fell to –59 from +1, suggesting that economic growth was well below trend in late February and March. The CFSBC Manufacturing Activity Index decreased to –41 from –14, and the CFSBC Nonmanufacturing Activity Index fell to –69 from +9.

- Respondents' outlooks for the U.S. economy for the next 12 months deteriorated significantly, turning pessimistic on balance. Respondents with more pessimistic outlooks noted the negative effects of the Covid-19 outbreak on economic activity and expected a slow recovery. Respondents with more optimistic outlooks expected a fast recovery from the Covid-19 crisis.
- The pace of current hiring decreased, as did respondents' expectations for the pace of hiring over the next 12 months. The hiring index remained negative, and the hiring expectations index moved into negative territory.
- Respondents' expectations for the pace of capital spending over the next 12 months decreased, and the capital spending expectations index remained negative.
- The labor cost pressures index decreased, as did the nonlabor cost pressures index. Both cost pressures indexes remained negative.

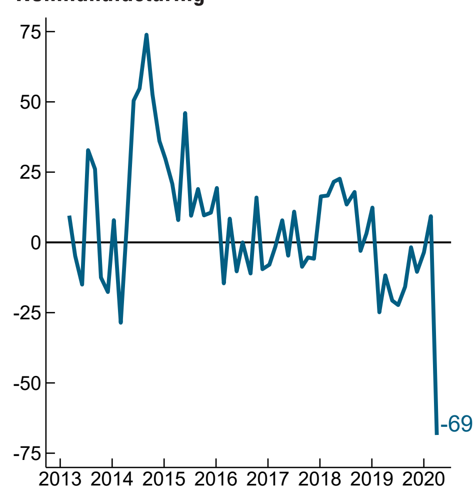
Activity Indexes: Overall and by Sector



Manufacturing

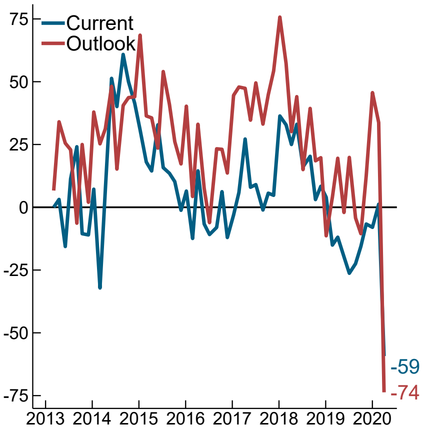


Nonmanufacturing

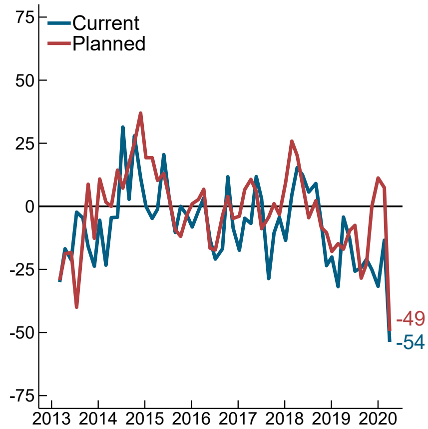


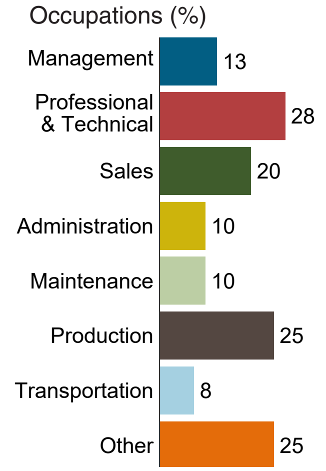
Additional Survey Results

Activity

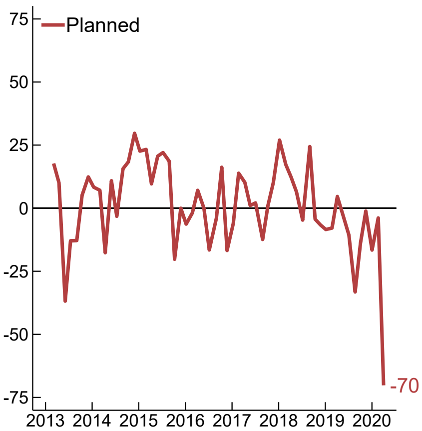


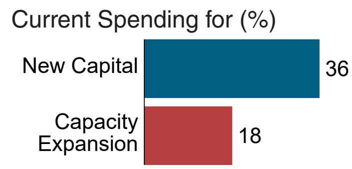
Hiring

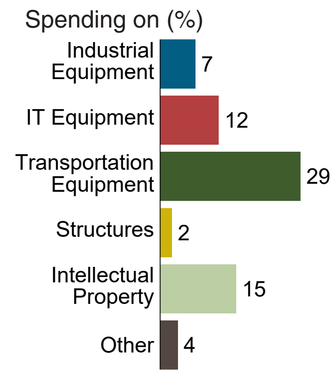




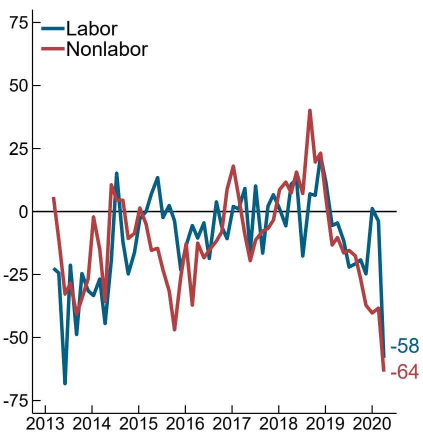
Capital Spending

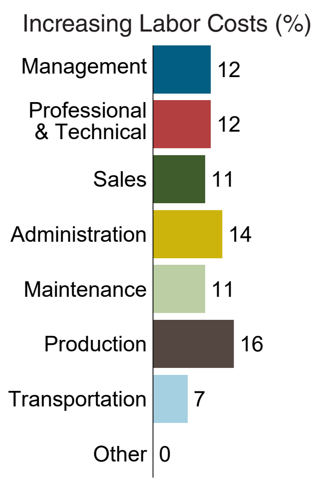


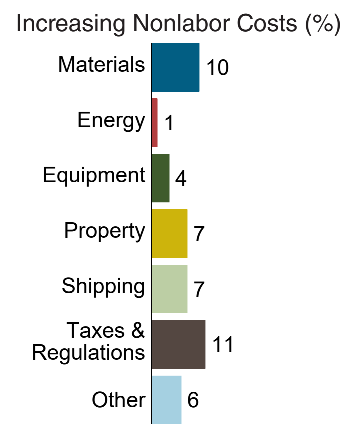




Cost Pressures







Notes: Positive readings of the current activity, hiring, and labor and nonlabor cost pressures indexes indicate that more respondents reported above-average growth at their respective firms than below-average growth in current activity, hiring, and labor and nonlabor 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 12 months. Positive readings of the outlook index indicate more respondents reported above-average outlooks for the U.S. economy over the next 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 labor and nonlabor cost pressures. The numbers may add up to more than 100 percent because more than one option can be chosen. In late 2019, the underlying survey questions on cost pressures were changed to focus on labor and nonlabor costs instead of wage and nonwage costs. The results based on this change were first reported in the November 27, 2019, release.

CFSBC release dates, historical data, and background information are available at chicagofed.org/cfsbc.