July Chicago Business Barometer Down 1 Point to 55.8

New Orders Expand at a Slower Rate; Employment Back Above 50

The MNI Chicago Business Barometer fell 1 point to 55.8 in July from the 1½-year high of 56.8 in June, led by a fall in New Orders. Smaller declines were seen in Production and Order Backlogs, which offset a strong increase in the Employment component.

The Barometer’s three-month average, though, which provides a better picture of the underlying trend in economic activity, rose to 54.0 from 52.2 in Q2, the highest since February 2015.

Following strong gains in the previous month, Production, New Orders and Order Backlogs declined somewhat in July, but remained above May’s levels, when they all fell into contraction territory. New Orders fell 3.9 points to 59.3, but held most of June’s gain that had left the indicator at the highest level since October 2014. Order Backlogs, which last month rose to the highest since March 2011, managed to remain above 50 following a 16-month run of sub-50 readings.

Demand for labour picked up noticeably in July, probably boosted by the increased level of orders and output at the end of Q2. Employment jumped solidly back above 50 to the highest since March 2016, a healthy recovery after three months in contraction that had left the indicator at the lowest since November 2009.

In July, though, companies increased their inventories at the fastest pace since October 2015, building on June’s double digit gain.

Inflationary pressures were little changed on the month, with Prices Paid falling slightly for the third consecutive month.

In a special question posed to the Chicago panel, 66% said they would expect the net financial impact of Brexit on their company to be “negligible”. This was in line with the results from the national ISM which showed 61%.

“Demand and output softened somewhat in July following a solid showing in June but still outperformed the very weak results seen earlier in the year. On the upside, it was the first time since January 2015 that all five Barometer components were above 50. Looking at the three-month average, the Chicago Business Barometer so far suggests economic activity running at a healthier pace in Q3,” said Lorena Castellanos, senior economist at MNI Indicators.

“Another positive came from the Employment Indicator. Although it’s still relatively weak, should July’s increase hold then it could be read as a tentative sign of growing business confidence about economic growth ahead,” she added.
About MNI Indicators
MNI Indicators specialises in producing business and consumer surveys designed to present an advance picture of the economic landscape and highlight changing trends in business and consumer activity. The timely reports explore attitudes, perspectives and sentiment across the globe, including China, India and Russia. Alongside MNI Indicators’ core focus on consumer and business surveys in emerging markets, MNI Indicators produces the renowned Chicago Business Barometer (Chicago PMI), a key leading indicator of the US economy. MNI Indicators is part of Market News International Inc., a leading provider of news and intelligence.

About ISM-Chicago
ISM-Chicago is a non-profit association dedicated to strengthening the community of purchasing and supply management professionals in the Chicagoland area. As an affiliate of the Institute of Supply Management (ISM), the organization is committed to the ongoing professional development of its members and the purchasing and supply management profession through education, research and communication. For more information on becoming a part of ISM-Chicago, call (847) 298-1940.

Notes to Editors
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The MNI Chicago Report is published monthly and contains the Chicago Business Barometer™ and a number of other Business Activity and Buying Policy indicators. The data is seasonally adjusted.

The Chicago Business Barometer™ is a closely watched leading indicator of U.S. economic activity and is based on a survey panel of purchasing/supply-chain professionals, primarily drawn from membership of the Institute for Supply Management-Chicago (ISM-Chicago). The survey panel contains both manufacturing and non-manufacturing firms, many with global operations.

The Chicago Business Barometer™ is a composite diffusion indicator made up of the Production, New Orders, Order Backlogs, Employment and Supplier Deliveries indicators and is designed to predict future changes in gross domestic product (GDP).

An indicator reading above 50 indicates expansion compared with a month earlier while below 50 indicates contraction. A result of 50 is neutral. The farther an indicator is above or below 50, the greater or smaller the rate of change.