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Media Release

July Chicago Business Barometer at 58.9 vs 65.7 in June

Barometer Returns to Trend After June Surge

The MNI Chicago Business Barometer fell to 58.9 in July from 65.7 in June, the lowest level in three months.

While marking the seventeenth above-50 reading, July's fall snapped a run of five straight monthly increases in business optimism. Each of the five Barometer components receded from last month but remained above their respective 12-month averages. This, therefore, points towards a return to trend after June's stellar showing. The Barometer had risen 6.3 points in June, to the highest level since May 2014. July's result means sentiment must average 62.2 in August and September for Q3 to come in flat on Q2.

The fall in sentiment was broad-based in July, though particularly concentrated across both demand and output. New orders fell by 11.6 points to 60.3, the lowest level since February, while Production fell 6.9 points to 60.8, the lowest since April. Firms also saw the level of backlogs slip in July. The Order Backlogs indicator fell 4.9 points from June's 23-year high to 57.9 in July. Suppliers took slightly less time to deliver key inputs, with the respective indicator down to 61.5 from 62.8 in June, falling for the first time in five months.

Companies saw stock levels accumulate as the growth in demand cooled slightly. The Inventories indicator rose by 3.0 points to 54.9 in July, the highest in two months. The Employment indicator slipped for the second straight month in July, following up June's 0.5 point drop with a further 4.0 point drop this month. This left the indicator at 52.6, the lowest since March but marginally above its 12-month average of 52.1. The indicator has performed materially better since the turn of the year having spent eight months of last year below the neutral-50 mark.

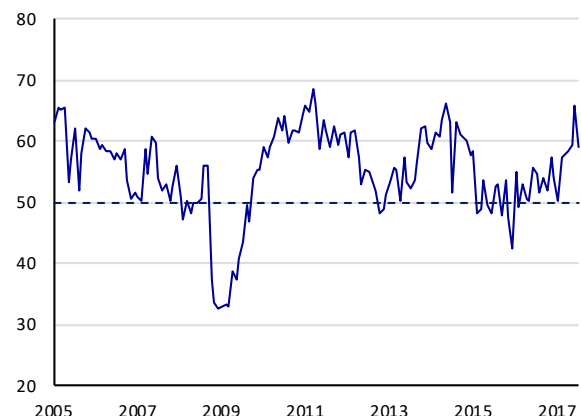
This month's special question asked firms how wages across their business had changed over the past year. Over 70% said they had increased employees' nominal pay during this time while a quarter said they kept wages

unchanged. The remaining 3% of firms chose to cut wages to some extent. Of those that afforded wage rises to their employees, just under 40% increased wages by 1-2%, with just shy of 30% of firms offering a more generous 3-4% hike. Precisely 1.7% of businesses upped nominal wages by 1% while an equal proportion opted for the other extreme, raising wages by 5-6%.

Having eased in Q2, inflationary pressures at the factory gate picked up in July. The indicator rose 3.4 points to 60.9, the highest level in three months.

"MNI's July Chicago Business Barometer should be viewed in the context of the underlying, upward trend in business sentiment witnessed since early 2016. Key indicators, despite reversing their June reading, remain above their respective averages set over the last twelve months, and point towards robust confidence among U.S. firms," said Jamie Satchi, Economist at MNI Indicators.

Chicago Business Barometer™



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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 activity. 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

Please source all information to MNI Indicators.

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The MNI Chicago Report is published monthly and contains the Chicago Business BarometerTM and a number of other Business Activity and Buying Policy indicators. The data is seasonally adjusted.

The Chicago Business BarometerTM 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 BarometerTM 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 US 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.