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Media Release

January Chicago Business Barometer Falls to 65.7

Employment Up to Near-6-Year High; Prices Paid Highest Since Sep

The MNI Chicago Business Barometer fell 2.1 points to 65.7 in January from a previously revised 67.8 in December.

Despite losing some ground in January, the Barometer continued in the same vein of form it displayed in the second half of 2017, making for an encouraging start to the New Year. The Barometer was up 28.3% on last January and at 65.7, stands above the H2 2017 average of 63.7.

Three of the five components that comprise the Barometer fell on the month, with only Employment and Supplier Deliveries notching up gains in January.

Firms reported a moderately slower pace of both incoming orders and output in January. The New Orders indicator fell to a five-month low, contributing most to the Barometer's decline, while the Production indicator also fell in January, albeit to a lesser extent. With less activity on these fronts it gave firms the chance to target their backlog of unfilled orders. The Order Backlogs indicator fell to its lowest level since May.

Despite the softer pace of activity in January, supplier delivery times lengthened while the pace at which firms added to their inventories was marginally lower in January, having hit a three-year high in December.

Elsewhere, hiring intentions were on the rise in January. The Employment indicator hit a near-six-year high, breaking past the 60-mark for the first time since late 2013.

This month's special questions asked firms to gauge the likely effects of prospective monetary and fiscal policies. With more than one rate hike penciled in for 2018, firms were asked how this would likely impact their business. While the majority saw it having no effect on their business, just 3.8% felt they would be hindered by higher rates compared to 37.7% who saw their activity continuing to expand.

Firms were also asked how they thought the government's

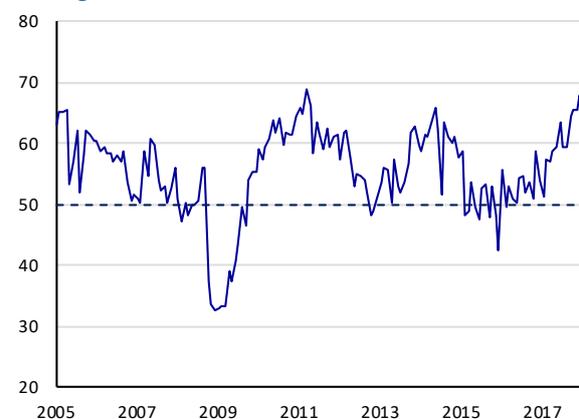
impending tax reform bill would impact both their business as well as the wider economy. A clear majority, 63.5%, saw both parties reaping the benefits of less red tape, followed by 11.5% who felt that while beneficial to them it may not be in the best interests of the country. Just under 6% felt it would be bad for both their business and the US economy.

Inflationary pressures at the factory gate intensified again in January, rising to the highest level since September. Steel, wood and resin were said to have increased in price.

"Official data in Q1 tends to come in weaker than in reality, but our survey suggests that despite softening a little, sentiment among businesses remains robust. This was the best January result in seven years, capped off by the Employment indicator rising to its highest level in almost 6 years," said Jamie Satchi, Economist at MNI Indicators.

"Still, inflationary pressures remain elevated and show no signs of abating, something that should be at the forefront of the Fed's mind," he added.

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 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 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.