February Chicago Business Barometer Declines to 61.9
New Orders Fall to Six-Month Low; Input Price Inflation Eases

The MNI Chicago Business Barometer fell 3.8 points to 61.9 in February, down from 65.7 in January, to the lowest level since August 2017.

Business activity continued to expand in February, although at a softer pace than in January. All five of the Barometer components receded on the month, but despite a second straight monthly fall, the Barometer was still up 8% on last February and above the 2017 average of 60.8.

As in January, firms reported a slower pace of both incoming orders and output in February. The New Orders indicator fell to a six-month low, contributing the most to the Barometer’s decline, while the Production indicator also fell in February, down to a level last seen lower in September. Despite trending lower recently, however, both indicators remain elevated relative to recent years.

 Whilst high throughout the latter half of 2017, firms’ level of unfulfilled orders continued to trend back towards more familiar territory in February. The Order Backlogs indicator fell for a second consecutive month, to its lowest level since April 2017. Supplier delivery times also eased on the month but February’s outturn still ranked as the fourth highest in just shy of three-and-a-half years.

The rate at which firms added to their stock levels decreased in February, falling to the lowest level since October. Inventories had peaked in December, hitting a three-year high, but have since fallen back towards the levels set earlier in 2017.

Hiring intentions also eased in February, edging down from the near-six-year high set last month. As was the case throughout 2017, firms once again reported a shortage of skilled workers when searching to fill vacancies.

This month’s special question asked firms to assess the impact of input prices over the coming 12 months on their business operations. Exactly half of the firms said that they expected the input price landscape to weigh on and challenge regular business operations, compared to just 6% who thought it would aid their activities. The remaining 44%, on the other hand, saw it having next to no impact on their activities.

As for February, input price inflationary pressures remained elevated despite receding from January’s four-month high. Steel, wood, foam and alloy prices also quoted as particularly expensive.

“Disruptive weather conditions this month and large promotions at the back-end of last year appear to have weighed on demand and output in February, but despite the Barometer’s broad-based decline activity remains upbeat,” said Jamie Satchi, Economist at MNI Indicators.

“That said, a large proportion of firms are anxious about the cost of input materials, and warn they could pass on these higher costs to consumers if inflationary pressures do not abate,” he 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 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.

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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.