



Embargoed until 9:45 A.M. E.T., 29 June 2018

Media Release

Chicago Business Barometer Rises to 64.1 in June

New Orders, Order Backlogs Drive Barometer to Five-Month High

The MNI Chicago Business Barometer rose 1.4 points to 64.1 in June, up from 62.7 in May, hitting the highest level since January.

Business activity expanded at a faster pace in June, with firms' operations up for a third consecutive month. Four of the five Barometer components strengthened on the month, leaving the Barometer up 0.8% on the year.

Partially spurring the Barometer's rise was a pick up in orders, up for a second straight month to a five-month high. Offsetting this was a slight fall in output growth. Production lost ground for the fourth time since peaking in December, with firms stifled by issues higher up in the supply chain.

With demand growth recapturing some lost momentum, firms' unfulfilled orders continued to grow. The Order Backlogs indicator built on last month's sizeable gain with another in June, to sit 11.4% higher versus June 2017 and 10.8% higher in the three months to June versus its Q1 average.

Largely explaining firms' lower productive capacity and inability to service demand, lead times on key supplies refused to abate. The Supplier Deliveries indicator inched higher again in June, consistent with the indicators' highest quarterly reading in fourteen years. Growth in firms' level of stock, meanwhile, expanded at a softer pace, with some firms unable to replenish items quickly enough.

One key factor behind the supply-side friction encountered by firms are elevated input prices. The Prices Paid indicator rose to its highest level since May 2011. The third straight month above the 70-threshold means that the indicator stands at a seven-year high on a quarterly basis as well.

Firms were more willing to add to their workforce. The Employment indicator rose for the second month in a row in June, although hiring sentiment did dip on the quarter.

This month, two special questions were posed to firms. The first asked whether ongoing trade talks were having an impact on short-term purchasing decisions. Just under a quarter said that

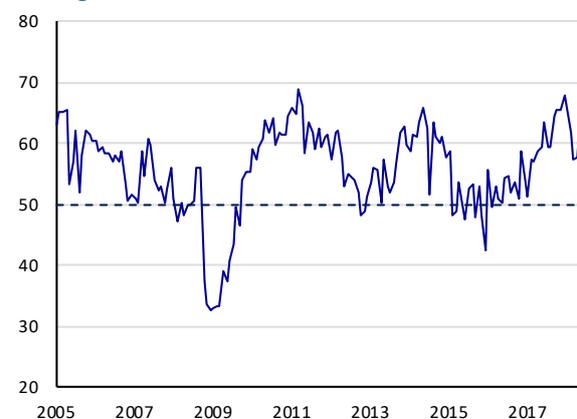
they were having a significant impact on business while an additional 39.2% said yes but only to a minimal extent up until now. Just 17.7% said they had been immune to any disruptions, with the remaining 19.6% unsure.

The second question asked firms if they had increased starting salaries to attract and secure prospective employees. The majority of firms, at 61.4%, said that had yet to resort to this measure but a fairly sizeable 38.6% said that this was a strategy which they had turned to.

"Stronger outturns in May and June left the MNI Chicago Business Barometer broadly unchanged in Q2, running at a pace similar to that seen throughout 2017. While impressive, supply-side frustrations are undermining firms' productive capacity," said Jamie Satchi, Economist at MNI Indicators.

"Confusion surrounding the trade landscape continues to breed uncertainty among businesses and their suppliers and has led to many firms' altering their immediate purchasing decisions," 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

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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.