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## Media Release

# Chicago Business Barometer Rises to 65.5 in July

## New Orders, Production Bolstered as Prices Paid Hits 10-Year High

The MNI Chicago Business Barometer rose to a six-month high of 65.5 in June, up 1.4 points from 64.1 in June.

Businesses' operations rose at a swifter pace in July, with activity up for the fourth straight month. All but one of the Barometer components rose on the month, with only Supplier Deliveries losing ground, leaving the Barometer up 10.1% on the year.

Like the headline index, both New Orders and Production recorded six-month highs in July, traditionally a busy month for firms coinciding with the summer holiday season. Both indicators sit comfortably above the neutral-50 mark, up 8.0% and 10.6% on the year respectively, and continue to signal robust demand.

Alongside a further pickup in demand growth, firms' level of unfinished orders continued to grow. The Order Backlogs indicator capped a third straight rise by hitting a nine-month high, with some firms reporting a demand hangover from June while others blamed inefficiencies in production and a lack of employees.

Lead times on key materials remained significantly elevated, despite easing marginally in July, and continue to impair firms' productive capacity. Consistent with the longer wait times, stock levels of principal items eased in July, down to an 18-month low.

Price pressures continued to impede firms' operations and intensified markedly in July. The Prices Paid indicator rose to its highest level since September 2008. Higher prices were widespread across a range of key inputs with multiple firms attributing the latest rise to recently implemented tariffs on imported goods.

Elsewhere, firms were more intent on hiring new personnel. The Employment indicator rose for the third consecutive month in July, settling at a four-month high. Despite this, however, there were still reports of firms struggling to source ideal candidates, which continues to hamper recruitment plans.

This month's special question asked firms to predict whether new orders in the third quarter would come in higher, unchanged or lower than their respective second quarter level. Over half of firms

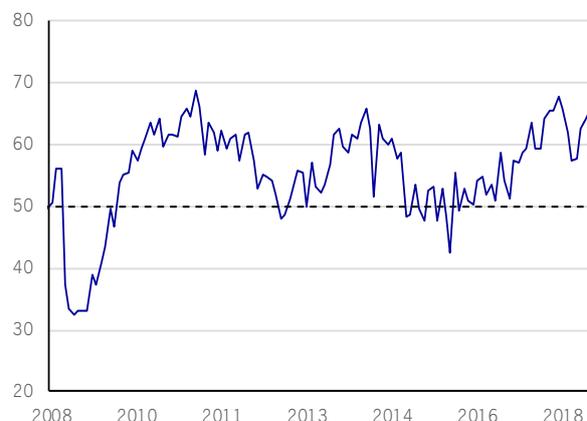
were optimistic, expecting Q3 demand to usurp that of Q2, with only 13.7% expecting a drop-off of some magnitude. A little over one-in-four forecast no change while just under 6% were unsure.

Many firms highlighted that Q3 covered the summer holiday period, which typically brought in more business and an associated acceleration in growth. Others, however, said that they expected summer to start slowly in July and August, while others said the implementation of tariffs had whisked up uncertainty that made forecasting slightly more difficult.

"The MNI Chicago Business Barometer started the third quarter in bullish form, with business activity supported by robust demand and output. Both, like the headline index, registered 6-month highs and the majority of firms expect demand to increase further over Q3," said Jamie Satchi, Economist at MNI Indicators.

"Input prices continue to be a thorn in the side of businesses, however, with the Prices Paid indicator at the highest in a decade and continuing to signal pipeline inflation," 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.