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## Media Release

# Chicago Business Barometer Eases to 63.6 in August

## Output & Demand Hold Up Despite Barometer Easing for First Time in Five Months

The MNI Chicago Business Barometer slipped to a three-month low of 63.6 in August, down 1.9 points from July's 65.5.

Firms' operations continued to grow at a healthy pace in August, despite decelerating for the first time in five months. A softening in Supplier Deliveries, Order Backlogs and Employment offset gains in Production and New Orders, driving the decline in the Barometer. However, it still sits 6.9% higher on the year and continues to signal robust business conditions.

August saw both demand and output inch higher, though broadly unchanged from their already-elevated July levels. Despite registering only minor changes on the month, the New Orders indicator is up 6.4% on the year while the Production indicator posted a 9.1% y/y rise

For firms not encountering a significant rise in orders, it offered the chance to catch up on existing, unfinished orders. The Order Backlogs indicator snapped a three-month winning run in August, receding from July's nine-month high. Elevated demand, difficulty sourcing key materials and labor inefficiencies have forced unfinished orders higher in recent months.

The Supplier Deliveries indicator fell for a second straight month in August but remained above the 60-level, where it has stood for 11 of the past 12 months. This, in part, explained why stock levels rebounded in August, returning to expansionary territory after slipping to an 18-month low in July.

Firms continued to expand their workforce in August, despite the Employment indicator easing from July's four-month high. The indicator has remained above the neutral-50 threshold for 10 consecutive months, the longest stretch since April 2015.

Firms' productive capacity continues to be restrained by elevated input prices. While the Prices Paid indicator eased in August, it remained above the 80-mark for just the second time since late-2008. Firms continued to report elevated prices across a wide range of materials, from steel to resin, with many citing allocation issues stemming from ongoing trade disruptions as a key reason.

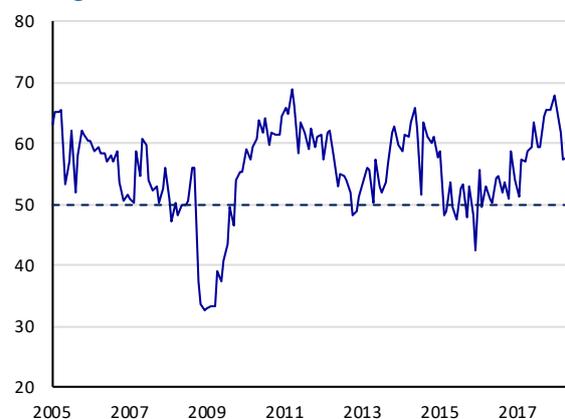
This month, two special questions were put to firms. The first asked whether they had passed on higher input costs to consumers and over 60% of respondents said yes. Of those who said no, many said that they had not due to intense competition, while others said they may be forced to implement hikes in the coming months having, up until now, resisted doing so.

This month's second special question asked firms for their assessment of their current level of stock. While just under three-fifths said what they held was about right, a fifth thought their inventory level was either too high or too low.

"The MNI Chicago Business Barometer continues to signal solid business sentiment, despite easing for the first time in five months, with growth in output and demand holding up well," said Jamie Satchi, Economist at MNI Indicators.

"Inflationary pressures look set to continue, potentially bleeding into consumer prices, with over 60% of firms reporting that they have passed on higher input costs to customers in recent months, and others foreseeing doing so in the near future," 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.