Chicago Business Barometer Retreats in March to 58.7

Q1 Barometer Average Lowest in Two Years

The MNI Chicago Business Barometer fell 6 points to 58.7 in March from 64.7, partially offsetting last month’s gain.

Looking at the three-month average provides a better guide this month to the underlying trend in the economy with activity a touch lower in Q1 than in Q4. The Barometer averaged 60.0 in Q1, down 3.5% on Q4 2018 and 3.3% on Q1 2018.

The March fall was led by three of the five Barometer components, with Employment and Supplier Deliveries both increasing, albeit marginally.

Production and New Orders pulled back from last month but were appreciably above their respective January levels. New Orders continued to lag Production in Q1, a quarterly trend seen nine times since 2009, with 2014 and 2016 being exceptions.

Order Backlogs shrank the most, with the indicator falling into contraction territory for the first time since January 2017. Supplier delivery times remained broadly stable on the month, although the quarterly average was at the lowest level since Q2 2017.

Companies ran down their inventories at the fastest pace since July 2018. The indicator was below the 50-mark for the second time in eight months. The indicator was down 12% in Q1 compared with Q4 2018, hitting the lowest level since Q4 2016.

Despite volatility in demand and production in recent months, the need for labor has remained stable. The Employment Indicator was a touch above both the three-month and 12-month averages. The Employment Indicator has consistently improved in Q1 from Q4 in each of the last four years; it being up 2.4% this year.

The Prices Paid indicator saw the biggest monthly fall in 17 months, hitting the lowest level since August 2017. Over the previous two years, firms have mostly faced higher prices at factory gate in Q1 compared with Q4, but there was a departure from the trend this year.

This month’s special question asked firms about their expectations about incoming orders in Q2. A total 46.8% firms expected orders to increase in Q2 while 14.8% saw their orders plummeting, showing optimism below levels seen when companies were posed the same question last year.

“Although the barometer has comfortably remained above the 50- neutral level for more than two years now, survey evidence points to a slight slowdown since last year,” said Shaily Mittal, Senior Economist at MNI.

“The Fed’s break from monetary tightening amid global uncertainty and softer inflation is seen underpinning optimism in the business environment,” she 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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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.

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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.