Chicago Business Barometer Cooled to 56.7 in January

Barometer Starts the Year on Moderate Footing; New Orders Lowest in Two Years

The MNI Chicago Business Barometer dropped to 56.7 in January, down 7.1 points from December’s downwardly adjusted 63.8.

Four out of the five Barometer sub-components started the year lower. Notable falls in Production and New Orders contributed to most of the 7.1-point fall in the headline index.

The decline marked the fifth time in two years the Barometer has fallen on a year-over-year basis. However, the Barometer continues to signal healthy business conditions, recording a 24th consecutive reading above 50.

Contributing to the bulk of January’s downside was a drop in New Orders to a two year low. As a result of January’s weak order book strength, Production declined to a 10-month low. Firms noted an inability to absorb cost-push pressures as a reason for customers being deterred from placing orders in January.

Order Backlogs did not build on the momentum seen in the latter stages of Q4 and eased to a three-month low.

Supply-side issues continued to subside in January, although remaining somewhat elevated. The Supplier Deliveries indicator fell to a 17-month low in January.

On balance, firms reported a relatively small drop in inventory levels in January. However, there was anecdotal evidence of firms accumulating stock because of new product launches and incentive programs. Some firms increased inventories in expectation of stronger orders, whilst others as a result of higher lead times and tariffs.

The Employment indicator was relatively unchanged from December’s three-month low but did still remain above the neutral-50 mark.

There were reports of firms having faced difficulties sourcing production staff such as welders and machinists over the past three months.

Inflationary pressures remained elevated, although the Prices Paid indicator was unchanged on the month, ending a run of five consecutive monthly falls. Firms experienced higher prices in raw materials as well as metals, and the continuation of tariffs. Firms also alluded to continued pressures from supplier price increases.

January saw firms asked if financial market volatility was having an impact on their organization. A total 42.9% of firms believed their business was not impacted by market volatility, slightly higher than the 40.8% of firms who believed market volatility was impacting their organization. The remaining 16.3% of firms were uncertain whether market volatility had impacted them.

“The MNI Chicago Business Barometer had a sluggish start to 2019, pressured by significant drops in both New Orders and Production, resulting in the lowest headline reading in two years,” Jai Lakhani, Economist at MNI Indicators, said.

“Encouragingly, some anecdotal evidence pointed to temporary factors such as holidays as the reason for dampening output as opposed to inherent weakness in demand,” 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.

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.

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