Media Release

Chicago Business Barometer™ – Drops to 47.8 in March

Key Points – March Report

The Chicago Business Barometer™, produced with MNI, declined by 1.1 points in March, marking a ninth consecutive sub-50 reading. However, business sentiment rose marginally by 0.2 points to 46.6 in Q1.

Among the main five indicators, Production and New Orders saw the only monthly declines, while Supplier Deliveries recorded the largest gain.

Production shifted back into contraction in March after February’s rise above the 50-mark and demand for New Orders dropped by 7.9%. While some firms reported a rise in orders due to stockpiling by US customers, others noted a fall in new business COVID-19.

Order Backlogs increased further in March, rising its highest level since December 2019. However, the index dropped to the lowest quarterly level since Q3 2009, down by 9.9% compared to the previous month.

Inventories shifted deeper into contraction, slipping to the lowest level since October 2009. The index showed the largest monthly as well as quarterly decline, recording the lowest quarterly reading since Q4 2009.

Employment ticked up only marginally by 0.3 points in March, after February’s drop.

Supplier Deliveries surged up to the highest level since November 2018. Firms continued to mention delivery delays from China and other countries.

Prices at the factory gate hit their highest level since December 2019, rising by 7.2%.

March’s special question asked “Compared with the first quarter, how do you think your level of New Orders in three months’ time (Q2) will be?” The majority, at 40.5%, stated that the level of New Orders will be the same in three months’ time, while 31% said it will be lower. Meanwhile, 28.6% of firms expect a higher level of New Orders in Q2. When the same question was asked a year earlier, the majority (46.8%) projected a higher level of New Orders in Q2 compared to Q1.

The survey ran from March 2 to 16.
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 and consumer activity. MNI Indicators produces the renowned Chicago Business Barometer™, a key leading indicator of the US economy. MNI Indicators is part of Market News International, Inc., a leading provider of news and intelligence.

Notes to Editors

Production: MNI Indicators, part of Market News International Inc.
Date range: Monthly since 1946
Release Date: Last working day of the month
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Collection method: Survey data is collected online each month from manufacturing and non-manufacturing firms in the Chicago area. Respondents are purchasing/supply-chain professionals, primarily drawn from the membership of the ISM-Chicago (Institute for Supply Management – Chicago).

Calculation method: Respondents are asked their opinion on whether a particular business activity has increased, decreased or remained the same compared with the previous month. E.g. Is Production Higher/Same/Lower compared with a month ago?

A diffusion indicator is then calculated by adding the percentage share of positive responses to half the percentage of those respondents reporting no change. The three questions related to Buying Policy are measured in days and are not diffusion indicators. The Chicago Business Barometer™ and all sub-indicators are then seasonally adjusted. An indicator reading above 50 shows 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.

Headline indicator: The Chicago Business Barometer™ is a weighted composite indicator made up of five sub-indicators, namely New Orders, Production, Employment, Order Backlogs and Supplier Deliveries. It is designed to predict future changes in gross domestic product (GDP).

Other indicators: The survey also asks companies about changes in their input prices, inventories and lead times to source production materiel, MRO supplies and capital equipment.

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