Chicago Business Barometer™ – Cascaded to 35.4 in April

Key Points – April Report

The Chicago Business Barometer™, produced with MNI, fell 12.4 points in April to its lowest level since March 2009 as business confidence dipped sharply amid the current spread of COVID-19.

Among the main five indicators, New Orders and Production registered the steepest declines, while Supplier Deliveries surged.

Production dropped by 19 points in April, hitting the lowest level since June 1980. After slipping in March, demand faded to a near 40-year low. April’s 21-point drop in New Orders was the largest decline on record as firms noted a severe negative COVID-19 impact on both demand and production.

Order Backlogs eased in April by 7.4% following two consecutive months of gains.

Inventories rose substantially with the index increasing by 39.4%, although remaining below the 50-mark for a ninth successive month.

The demand for labor cooled significantly, with Employment falling 11.1 points in April to the lowest level since June 2009.

Supply Network limitations are further impacting Supplier Deliveries which surged to its highest level since April 1974. There was, however, anecdotal evidence of improved delivery times from China.

Prices at the factory gate slipped below the 50-mark in April, falling 14.6%, the lowest level since March 2016.

This month’s special questions asked “Have you taken actions to mediate supply issues amid the corona crisis?” The majority, at 52.9%, reported a few changes, while 43.1% said they had undertaken major changes.

Only 3.9% of respondents noted they had made no changes. Measures taken by firms range from reviewing their supply chains, to working remotely and increased cleaning.

The survey ran from April 1 to 20.
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.

For more information please contact us at info@mni-indicators.com or visit www.marketnews.com