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Media Release



Chicago Business Barometer™ – Tapered to 32.3 in May

Key Points – May Report

The Chicago Business Barometer™, produced with MNI, fell to 32.3 in May, hitting the lowest level since March 1982, as business confidence cooled further amid the Covid-19 crisis.

Among the main five indicators, Order Backlogs and Supplier Deliveries saw the largest declines, while Employment edged marginally higher.

Demand tumbled further into contraction in May after seeing the largest fall on record in April. New Orders dropped by 2.3 points to the lowest since July 1980. Similarly, Production ticked down 6.3% in May after falling sharply in the previous month. The index remained at a 40-year low as firms reported pandemic-induced temporary shutdowns.

Order Backlogs saw the biggest drop, down 28.0% to the lowest level since March 2009. This marks the ninth consecutive sub-50 reading.

Inventories rose further in May, with firms noting a higher level than needed. The index gained 4.1 points to reach an eleven-month high.

Employment rebounded after April's drop. However, anecdotal evidence was mixed with some firms stating they had to lay off staff or reduce salaries, while others were trying to find new hires.

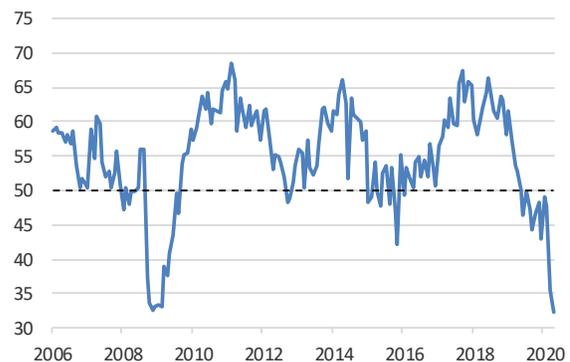
Supplier Deliveries ticked down by 5.8% in May following a 46-year high in April.

Prices paid at the factory gate increased to its highest level since March 2020. Companies noted higher prices for essential goods and transportation.

This month's special question asked: "How long do you expect COVID-19 to impact your business plan(s)?"

Opinions diverged, with the majority, at 27.1%, expecting Covid-19 to have an impact for 6-9 months, while 22.9% forecast 9-12 months and 20.8% project 3-6 months. While 18.8% expect an impact on business plans for more than a year, only 10.4% see the impact last for less than 3 months.

Chicago Business Barometer™



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Next Release: June 30, 2020

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Chicago Business Barometer™ Report – May 2020

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.

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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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