Media Release

Chicago Business Barometer™ – Eased to 51.2 in August

Key Points – August Report

The Chicago Business Barometer™, produced with MNI, slipped to 51.2 in August. This was the second straight reading above the 50-mark after having sat below it for a full year, as firms stated that business activity picked up further in August.

Among the five main indicators, Order Backlogs was the only category to show a monthly decline, while Supplier Deliveries recorded the largest gain.

Production improved further in August, increasing 1.4 points to the highest level since June 2019. Companies noted that previously pushed out orders led to an increase in production. Demand improved as well in August, with New Orders edging up to a one-year high. Anecdotal evidence suggests that the industrial and agricultural sector were hit the hardest and recovered only slowly, while the medical sector is faring very well.

The backlog of work cooled 1 point in August following a strong increase in the previous month. The indicator has been in contraction since August 2019.

Inventories fell 9 points in August, hitting the lowest level since March, indicating that companies continue to run down their stocks.

Employment ticked up 0.9 points but remains in contraction for a fourteenth straight month. Firms again noted staff reductions due to the Covid-19 crisis.

Supplier Deliveries rose 4.2 points after having eased for three consecutive months. Supplier Deliveries surged due to the pandemic, with delivery times peaking in April and only falling slowly since.

Prices paid at the factory gate decreased by 1.9 points in August after three consecutive months of gains.

This month’s special question asked: “When do you expect to get back to normal capacity?” The majority, at 55.6% forecast operating at full capacity in 2021 or later, while 26.7% are back at normal capacity already. Only 8.9% of respondents forecast to utilize their full capacity in Q3 2020 and Q4 2020, respectively.
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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