Media Release

Chicago Business Barometer™ – Softens to 44.4 in July

Key Points – July Report

The Chicago Business Barometer™, produced with MNI, eased further to 44.4 in July from 49.7 last month, the second sub-50 reading in 30 months.

Four of the five components were in contraction territory this month, with only Supplier Deliveries above 50.

The weakness in the Barometer observed in Q2 continued into the current quarter, with the latest outturn making it the weakest start to Q3 since 2009.

The Production indicator fell 22% on the month to hit a 10-year low. Demand remained muted, highlighted by the New Orders indicator that subsided further into contraction.

Order Backlogs remained below 50 for the third consecutive month, although it rose slightly on June’s reading.

Firms continued to accumulate inventories amid longer lead times and economic uncertainty.

Weaker demand and production led firms to adjust their workforce. The Employment indicator fell into contraction for the first time since October 2017 and hit the lowest level since October 2009.

This month’s special question asked firms about their views on the US economy’s growth in the second half of the year. Two in five firms expected the economy to see slower growth than currently, with some holding tariffs responsible for the slowdown. The majority, at 46%, did not expect any change while only 14% expected the economy pick up.

“Sentiment faded further with firms facing weakness across the board. Global risks, trade tensions, slowdown in demand and sombre growth expectations, all jeopardize business conditions. Firms are not panicking yet, but the latest report isn’t adding to the cheer. The above risks lend weight to a monetary easing approach by the Fed, albeit a gradual one,” said Shaily Mittal, Senior Economist at MNI.

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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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