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Media Release

MNI Chicago Business Barometer Rises to 54.2 in May

Employment Softest Since October 2017

The MNI Chicago Business Barometer increased by 1.6 points to 54.2 in May from 52.6 in April.

Despite the pick-up in sentiment, the survey points to softness in business activity, as indicated by the three-month average slipping to a two-year low. Furthermore, it is evident that business confidence in Q2 is going to be significantly weaker than Q1, which already was at sluggish levels.

The rise in business confidence was led by Production and New Orders. New Orders increased for the first time in three months, but the increase was not large enough to offset last month's fall. Production picked-up to match its three-month average but was significantly below its 12-month average.

Order Backlogs slipped into contraction again, the second such instance this year. Backlogs against other sub-components have contracted the most over the past year, giving further evidence of lukewarm demand.

Firms began accumulating inventories following three months of draw-down. Since the 2009 crisis, firms on average have kept inventories balanced and survey evidence shows things getting back to "normal" after a strong 2018 in terms of demand and confidence.

Weaker demand for labor continued in the wake of slower growth in demand and production seen since the turn of the year, despite this month's positive outturn. Employment was below both its three-month and 12-month averages and at the lowest level since October 2017.

Prices at the factory gate picked up a little following last month's double-digit decline amid a rise in the price of oil.

Supplier delivery times continued to expand but less so than last month. There was anecdotal evidence of delays at rail and port hubs.

This month's special question asked firms about the impact of supply side issues on their business operations. Almost half of them were unsure about the effect while 40% of them said they were adversely

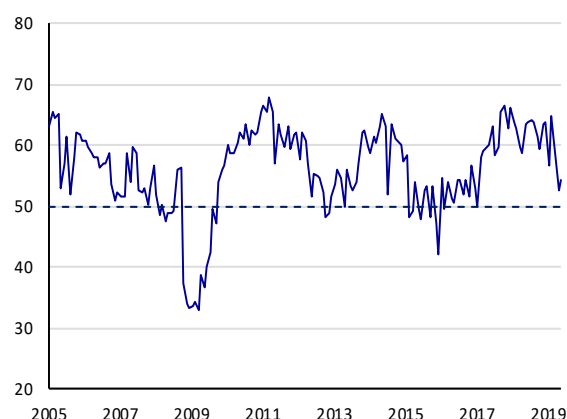
impacted by supply side issues. Firms mentioned tariffs and delays adding to costs and making them less competitive.

"This was the second increase in business sentiment this year, with firms having longer order books and thereby raising production. However, they kept employment close to the neutral level amid a lack of adequate skills and volatility in demand," said Shaily Mittal, Senior Economist at MNI.

"There is no getting away from the general softness in the data. Indicators are significantly below their last year averages but are moving towards their long-term means, implying that if business conditions are not as bright as they were, they are not bad either," she added.

Please note: Buying Policy-Production Materiel Indicator has been revised since January 2019 due to changes in the seasonal adjustment factors. It does not impact the headline Chicago Business Barometer or any other indicator.

Chicago Business Barometer™



For more information:

Market News International
T: +44-203-865-3812
E: info@mni-indicators.com

@MNIIndicators

MNI Indicators

Editorial content:

Shaily Mittal
Senior Economist
MNI Indicators



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 activity. MNI Indicators produces the renowned Chicago Business Barometer (Chicago PMI), a key leading indicator of the US economy. MNI Indicators is part of Market News International Inc., a leading provider of news and intelligence.

About ISM-Chicago

ISM-Chicago is a non-profit association dedicated to strengthening the community of purchasing and supply management professionals in the Chicagoland area. As an affiliate of the Institute of Supply Management (ISM), the organization is committed to the ongoing professional development of its members and the purchasing and supply management profession through education, research and communication. For more information on becoming a part of ISM-Chicago, call (847) 298-1940.

Notes to Editors

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The MNI Chicago Report is published monthly and contains the Chicago Business Barometer™ and a number of other Business Activity and Buying Policy indicators. The data is seasonally adjusted.

The Chicago Business Barometer™ is a closely watched leading indicator of U.S. economic activity and is based on a survey panel of purchasing/supply-chain professionals, primarily drawn from membership of the Institute for Supply Management-Chicago (ISM-Chicago). The survey panel contains both manufacturing and non-manufacturing firms, many with global operations.

The Chicago Business Barometer™ is a composite diffusion indicator made up of the Production, New Orders, Order Backlogs, Employment and Supplier Deliveries indicators and is designed to predict future changes in US gross domestic product (GDP).

An indicator reading above 50 indicates 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.