

## **Datanote: US Chicago PMI, April**

**In one line: Striking, but not a national bellwether.**

- The Chicago PMI dropped to 37.9, from 41.4, well below the consensus, 45.0.

The further fall in the Chicago PMI in April is the fifth consecutive monthly decline and takes the index to its joint-lowest level since June 2020. While

striking, the collapse in the Chicago PMI probably has few implications for the national picture. The Chicago PMI usually tracks the ISM manufacturing index closely in the medium term, but the two indexes often move in different directions from month to month. Moreover, the Chicago PMI has diverged considerably from the ISM recently, overshooting significantly late last year but undershooting over the past few months. This divergence probably reflects the boom in orders at Boeing late last year coming to a

screeching halt more recently, perhaps due to recent safety concerns. Our second chart shows that, very roughly, the Chicago PMI tends to lag the ISM when aircraft orders are falling.

The ISM-relevant components of the regional Fed manufacturing surveys generally rose slightly in April. But the S&P Global US PMI, which has been a better guide to the ISM more recently, slipped back this month. On balance, we expect a small fall in the ISM manufacturing index tomorrow,

although anything can happen in a single month. The big picture remains that any recovery in the manufacturing sector is likely to be gradual, as high long-term interest rates continue to weigh on capital investment.

