

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

**In one line: A headscratcher, but an unreliable signal for the broader economy**

- The Chicago PMI fell to 35.4 in May, from 37.9, well below the consensus, 41.6.

It is hard to know what to make of the sixth consecutive fall in the Chicago PMI, which takes the index to its

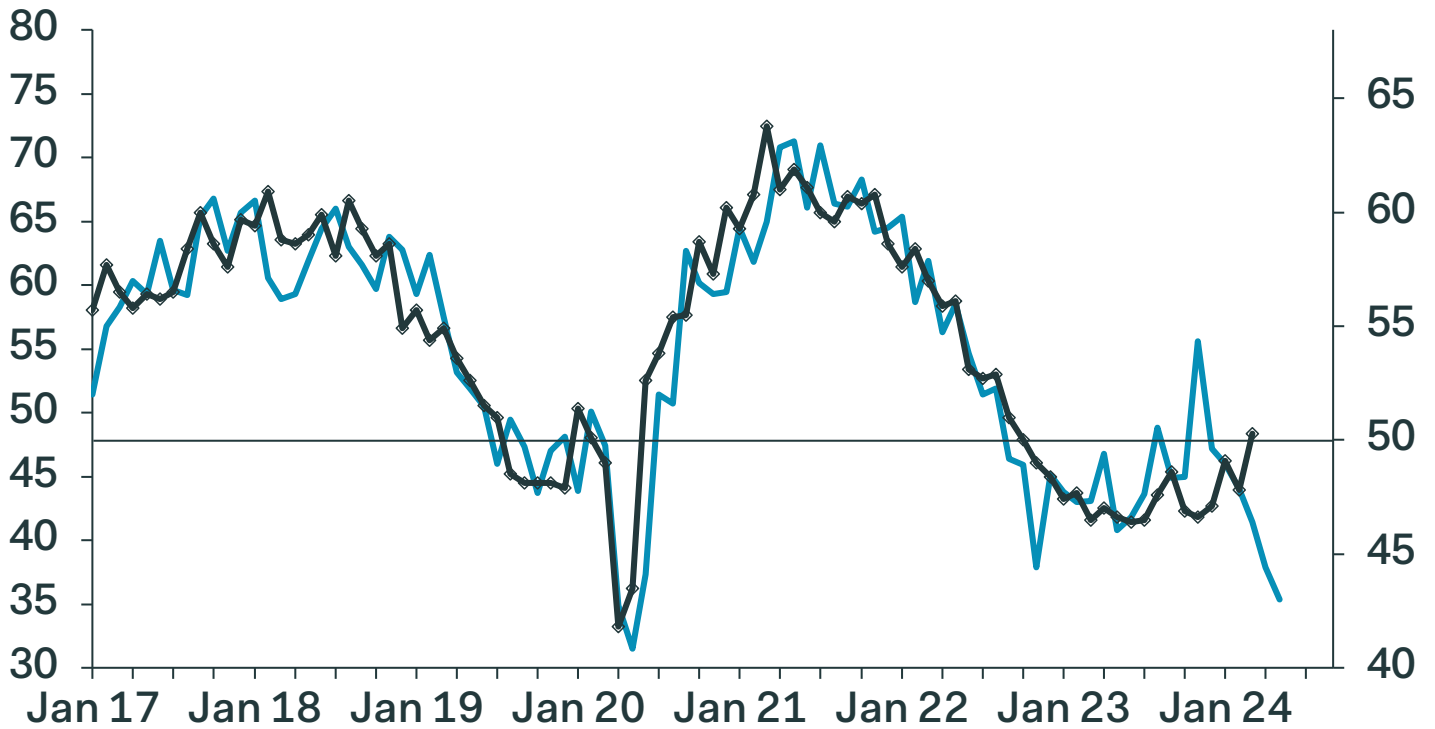
lowest level since the Covid slump in May 2020. The Chicago PMI has diverged significantly to the downside from the national ISM manufacturing index over the past year or so, and from the average of the ISM-relevant components of the five regional Fed manufacturing surveys. Whether that reflects broad struggles in the Chicago area economy, or something specific to the PMI's sample of companies is unclear. But, in any case, the correlation between monthly changes in the Chicago PMI and the ISM

manufacturing index has been weak historically. The correlation with the ISM services index—the Chicago PMI is a whole-economy PMI—has been a bit stronger in the past, but also far from reliable.

With only the Chicago PMI flashing red among a panel of surveys that look either green or amber, we're inclined to ignore it, and expect to see small increases in both of the headline ISM indices when published next week. Both the S&P Global US

manufacturing and services PMIs rose in May, the latter markedly. The regional Fed manufacturing surveys, meanwhile, were mixed in May, but little changed on average, while four of the five regional Fed services indexes increased. The economy probably is slowing, but it is not plunging off a cliff.

— Chicago PMI (Left)  
 ◆ ISM manufacturing (Right)



— Chicago PMI (Left)  
 ◆ Ave. of ISM-components of regional Fed manu. surveys (Right)

