

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

**In one line: The June surge tells us nothing about the national picture.**

- The Chicago PMI surged to 47.4 in June, from 35.4, well above the consensus, 40.0.

After falling for six consecutive months to its lowest level since May 2020, the Chicago PMI was overdue a rebound, and June delivered. The 12-point leap

in the headline index was the biggest monthly gain since the summer 2020 rebound from the initial Covid shutdowns and the third biggest in the survey's 57-year history. The earlier declines in the PMI had left it looking like a real outlier compared to other business activity surveys, which may reflect the recent slump in the aviation industry, as there seems to have been a relationship in the past between aircraft orders and the Chicago PMI's performance relative to the headline index of the ISM manufacturing survey.

The latest value for the Chicago PMI looks more realistic than the deep depression suggested by May's level, but ongoing weakness in aircraft orders suggests that further big improvements are unlikely from here.

With the average of the ISM-relevant components of the regional Fed manufacturing surveys falling very slightly in June and the S&P Global manufacturing PMI rising only marginally, we reckon that the ISM manufacturing index will be little

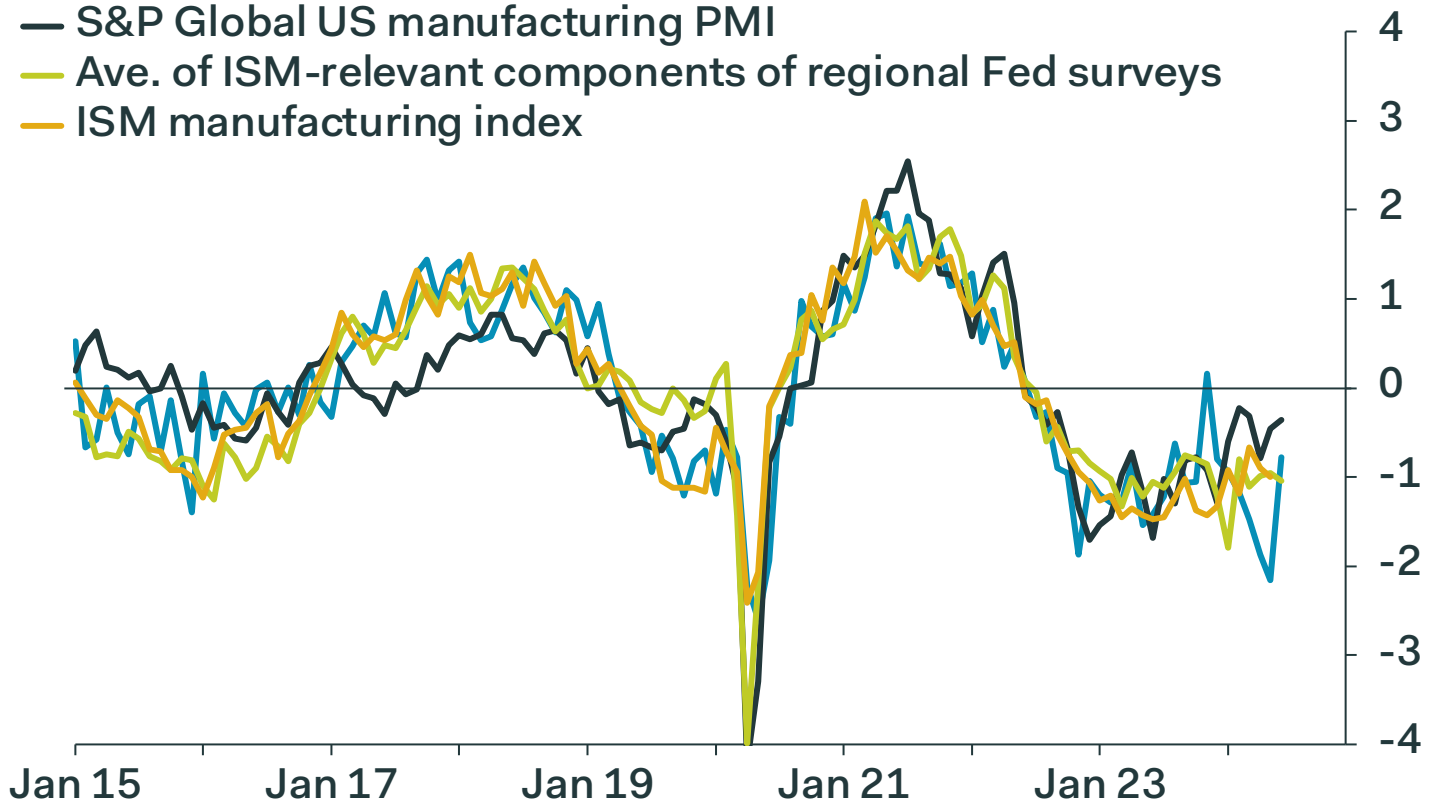
changed from its May value of 48.7 when it is published on Monday. More generally, we find it hard to envisage a strong recovery in the manufacturing sector while long-term interest rates remain so high and external demand is relatively weak.

— Chicago PMI, standardized since 2015

— S&P Global US manufacturing PMI

— Ave. of ISM-relevant components of regional Fed surveys

— ISM manufacturing index



— Aircraft orders, 3m year-over-year change, \$B, adv. 3m (Left)

— Chicago PMI less ISM manufacturing index, 3m ave. (Right)

