

Datanote: US Chicago PMI, September

In one line: Stable but uninformative.

- The Chicago PMI rose slightly to 46.6 in September, from 46.1, a bit above the consensus, 46.0.

The further uptick in September leaves the headline index well above the post-Covid low of 35.4 that it hit in May, but it still points to a relatively

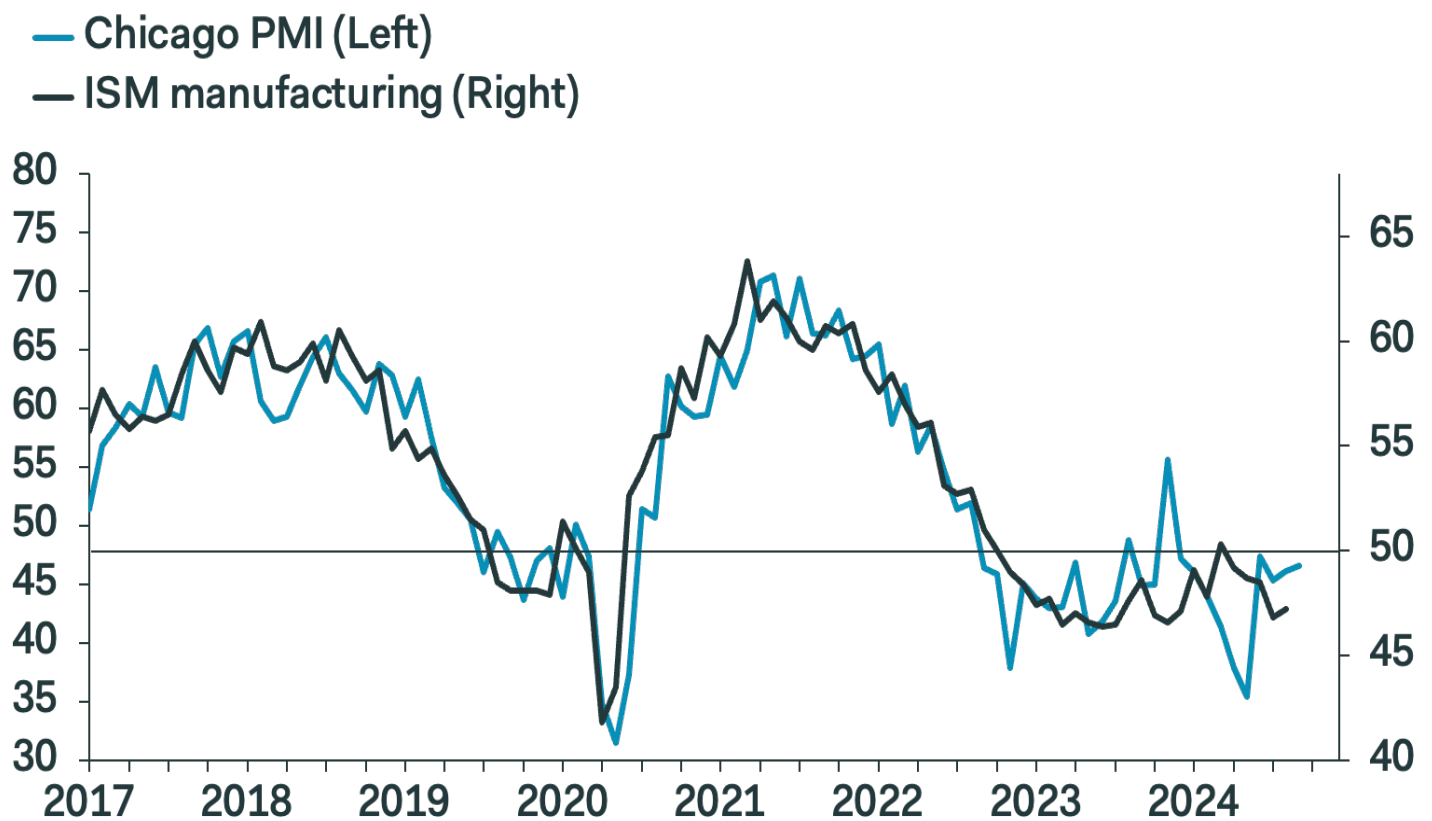
downbeat economic backdrop.

Unfortunately, the Chicago PMI cannot tell us much more than that, as we question its usefulness as a cyclical indicator. The Chicago PMI used to be a reliable guide to the national picture for manufacturing painted by surveys such as the ISM survey, as our second chart shows. But the PMI has become a far less useful guide over the past decade or so, and in the past year the Chicago PMI has often headed in the opposite direction to the other major surveys. The exact reason for

this divergence is unclear, although the tight relationship historically between the relative performance of the Chicago PMI and the strength of aircraft orders suggests that recent troubles in the US aviation industry might be playing some role.

Regardless, we expect tomorrow's ISM manufacturing report to reveal that the headline index dropped back a bit further in September, to around 46, from 47.2. The regional Fed manufacturing surveys and S&P

Global PMI were mixed in September. But the collapse in the ISM survey's new orders index last month, combined with a surge in inventories, points to a further decline in output in the near term.



Correlations between 3m/3m changes in Chicago PMI and ISM manufacturing

- Rolling 12-month correlation
- Rolling 36-month correlation

