DECISION ECONOMICS, INC.
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New York: 212 884 9440
London: 011 44 20 7814 6706
Boston: 617 994 0500
Email: decisioneconomics@pdeeco.com

Pierre Ellis

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Chicago Survey

The headline March Chicago purchasing managers survey index dropped a more-than-expected 3.0 points (Consensus: -2.1 points; Decision Economics: +0.2 point) to a still-high 67.6.

The decline was driven, among particularly significant sub-indexes, by an 8.2-point plunge in the new orders reading, to 66.3, and reinforced by a 1.9-point decline in the employment index to 63.7.

Neither index level is low, by any standard, but the direction and force of the declines are a bit disturbing--the experience of demand growth is narrowing quite abruptly, and there is a hint of diminishing confidence in the fact that employment growth is narrowing too.

Chicago numbers are characteristically volatile, and do not necessarily predict even the direction of motion in the corresponding national ISM indexes. Still, forecasts for the headline ISM index will likely be softened a bit.

The bigger issue is whether these numbers mark the beginning of a new weakening trend in manufacturing activity. Odds are, they do not, but unexpected softness in the national ISM would prompt a search for potential causes of a manufacturing sag, and they would not be hard to conjure up--oil prices, Japan, geo-political uncertainties, Washington fiddling while Rome burns.

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