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Chicago Survey

The headline August Chicago Purchasing Managers' index falls an unexpected 3.3 points, to 49.7 (Consensus: unched, at 53.0; Decision Economics: -0.6 point). The general message of the report is not quite so seriously negative--though there was a massively ominous 7.4-point plunge in the new orders index, to 47.4.

That demand-side weakness seems, so far, to be regarded as temporary by managers, with production cut back just marginally, taking that index down 2.0 points, to 55.4, and the employment index down a bigger 5.1 points, to 52.0--but after a 3.8-point rise last month.

Notably, despite the relatively steady production growth in the face of weakening orders, the backlog index did not worsen--dipping 0.1 point from an obviously poor 41.7 last month.

Even allowing for normal Chicagoesque volatility, these results are obviously quite precarious--but the fact that company managers are not yet shifting course dramatically suggests that they remain fundamentally optimistic. Perhaps there is hope for some political-cum-fiscal cliff clarity fairly soon.

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