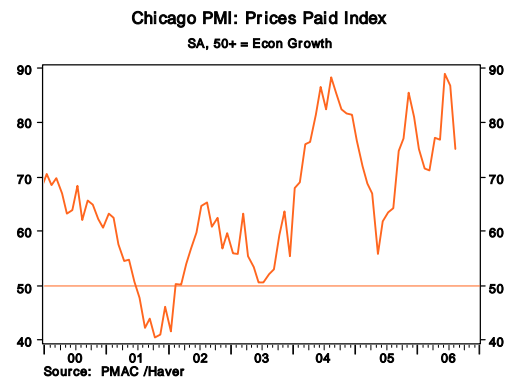
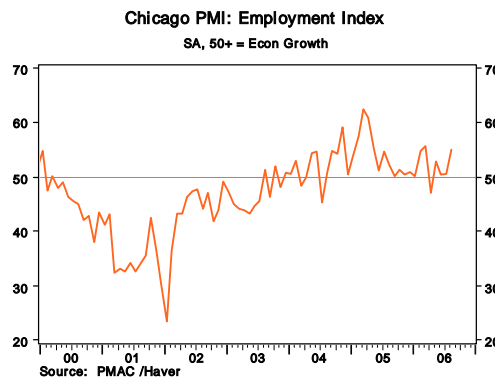
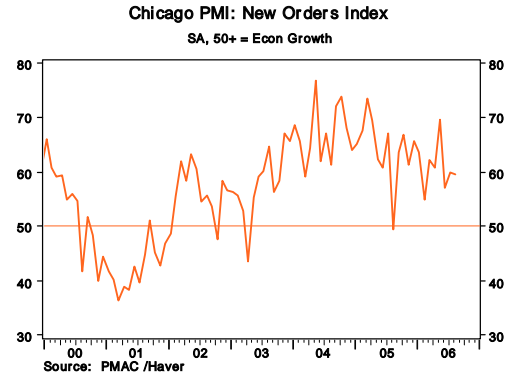
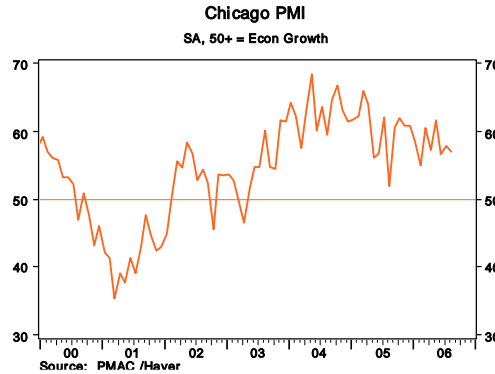


## AUGUST CHICAGO PMI

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- The Chicago Purchasing Managers' Index (PMI) slipped slightly to 57.1 in August, but remains at levels that suggest robust activity. The Chicago PMI has averaged 59.0 in the last 12-months, well above the 30-year average of 54.7.
- The production component pulled back to 61.7 in August, while the new orders component was relatively unchanged at 59.6. Employment jumped to 55.1 in August, a sign that Chicago-area manufacturers are increasing employment at a healthy pace.
- The prices paid component was 75.2 in August, pulling back from the surge in June and July. Nonetheless, the prices paid component has been above 70 for 12 consecutive months.



**Implications:** The Chicago PMI slipped slightly to 57.1 in August, the 39<sup>th</sup> consecutive month above 50. The Chicago PMI is one of the earliest pieces of economic data each month and is often a good leading indicator of the nation wide manufacturing sector. Rather than weakening as many have forecast, the non-housing sectors of the US economy have maintained strong positive momentum. New orders, production and employment were robust in this report. While an index measuring the backlog of orders fell to 44.1, this is a volatile series and is not consistent with other measures of order flow. With the early data from August pointing to another strong month of growth, the much hyped slowdown in the second half of this year remains elusive.

<b>Chicago PMI</b> <i>All data seasonally adjusted; 50+ = Econ Growth</i>	<b>Aug-06</b>	Jul-06	Jun-06	6 month <i>moving avg</i>	12 month <i>moving avg</i>	Year-ago <i>level</i>
<b>Business Barometer</b>	<b>57.1</b>	57.9	56.5	58.4	59.0	51.9
<b>Production</b>	<b>61.7</b>	64.1	54.6	61.8	62.2	58.5
<b>New Orders</b>	<b>59.6</b>	60.0	57.2	61.6	62.1	49.4
<b>Order Backlog</b>	<b>44.1</b>	48.2	57.8	50.4	52.2	47.8
<b>Inventories</b>	<b>51.3</b>	48.7	54.0	52.3	53.6	56.7
<b>Employment</b>	<b>55.1</b>	50.5	50.4	51.9	51.6	52.1
<b>Deliveries</b>	<b>58.2</b>	55.5	55.7	57.0	58.7	51.0
<b>Prices Paid</b>	<b>75.2</b>	86.8	89.0	79.4	78.5	64.3

Source: Purchasing Management Assoc. of Chicago

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