

## **Datanote: Chicago PMI, February**

**In one line: Four out of five ain't bad.**

-The Chicago PMI dropped to 44 in February, from 46, below the consensus, 48.

The dip in the Chicago PMI took the index to its lowest level since last July and stands in stark contrast the the significant increases in all four of the

regional Fed manufacturing surveys published so far. The divergence might reflect how the Chicago PMI also covers sectors outside of the manufacturing sector or perhaps the recent plunge in orders at Boeing. But the regional surveys are noisy and often diverge significantly from one another from month to month for no obvious reason. Note that the Chicago PMI has been especially volatile over the past year or two, and an even less reliable guide than usual to the ISM manufacturing survey.

Admittedly, the jumps in the regional Fed surveys in February seem partly to reflect payback following their inexplicable weakness in December and January. But the S&P Global Manufacturing PMI also picked up this month, suggesting that national picture probably has improved. A third consecutive increase in the ISM manufacturing survey tomorrow seems likely, although far from guaranteed. More generally, we think that the manufacturing sector will slowly exit

its roughly two-year slump over the coming quarters, as lower long-term rates start to drive a gradual recovery in domestic capital spending.

