

February's Canadian IVEY PMI up at a disappointing 51.9

And well off the seasonal norms for the number set.

The reading on the IVEY PMI at 51.9, although up from January's depressed 50.8, manages to disappoint both the market median at 56.0, but also is well back of the seasonal norms for the number set. Seasonal norms suggest that the headline IVEY should be averaging around the high 50s low 60s. Our forecast at 60.0 was predicated upon a return to seasonal norms.

Our forecast had also been based upon the expectation that we would see a return of the activity in the auto sector which had been temporarily suspended. Recall that holiday related shutdowns in the auto sector in December were carried through into the first week's of January. On this basis, we believed that the depressed reading on the January PMI at 50.8 (again well off the seasonal norms) would be reversed in February with a return to readings in keeping with both seasonal norms and in the context of economic recovery.

While the IVEY is a less than ideal data set (the sample size is small, unadjusted, and lacks a significant history of performance) it still tends to suggest that the recovery period may look more incremental than typical for Canada despite the very sizeable 5.0% pickup in economic activity witnessed in Q4/09.

Underneath the headline purchaser index, the employment index at 41.3 drops deep below the break even point at 50.0 from 48.4. Of course remember that the economy generated a net jobs gain of 43K in January, an outcome significantly better than what would have been suggested by the IVEY employment index.

Inventories grind higher at 47.9, up from January's 44.6. Supplier deliveries rose to 45.1 from 41.5. Supplier deliveries index is a bit of a paradox. A low reading on the index in the past has tended to correspond with periods of capacity tightness and bottlenecks while readings close to 50 or just slightly below 50 have tended to correspond with periods of recession. In that the pace of supplier deliveries has picked up would on the surface appear to suggest that there is still ample excess capacity sloshing about in the economy.

Overall, there are a number of negatives associated with the number although this is tempered by the limited weight we would be inclined to attach to this data set.

Disclosure appendix

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